

PREM 19/1669

Westland Helicopters.

AEROSPACE

Part 1: April 1985

Part 4: January 1986

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
31.1.86							
4.2.86							
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PART 4 ends:-

RTA to NLW(A086/100) 28-2-86

PART 5 begins:-

NLW to PM

3/3/86



Prime Minister

Very tedious, but

proper answers can be given to the questions. Clearly it is desirable if a way can be found. N.L.V.

Ref. A086/700

MR WICKS

Defence Committee

I now attach a list of the supplementary and additional questions which the Defence Committee wish to ask me when I appear next Wednesday 5 March.

2. It all looks like a tremendous fishing expedition; and the questions are almost if not entirely all so far removed from "defence implications" of the Westland affair as to have no perceptible connection.

3. I think we have to find some way of handling this without going through all these questions in public session. I am giving some thought to this, and will submit further advice on Monday 3 March.

4. I am sending copies of this minute to the Private Secretaries to the Lord President, the Lord Privy Seal and the Chief Whip.

REA

ROBERT ARMSTRONG

28 February 1986

Notice of Questions for Wednesday 5 March

1. In answer to Q.920 Mr. Brittan said that he communicated the Solicitor-General's view of Mr. Heseltine's letter (after Mr. Brittan had consulted the Solicitor-General on 4 January but before the Solicitor-General wrote his letter of 6 January) "to my Department who communicated it to No.10". Who in the DTI communicated the Solicitor-General's view to which official in No.10 and when?

2. Did you inquire whether, when the Solicitor-General's preliminary view was known by this means, any consideration was given to informing Westland of the fact?

3. Were officials in the DTI or No.10 aware that the Solicitor-General had discussed Mr. Heseltine's letter of 3 January with Mr. Heseltine on the night of 4 January? Did you ask them this in the course of your inquiry?

4. When and how did Mr. Ingham, Mr. Mogg and Miss Bowe first know - that the Solicitor-General was being asked to consider the letter of 3 January from the then Secretary of State for Defence?
- that the Solicitor-General's letter of 6 January was being written?

5. What action did Mr. Ingham believe the Prime Minister wanted after the receipt of the copy of the Solicitor-General's letter, and what formed this view?

6. (a) In answer to Q.1342 you said "As to ... whether the Secretary of State had prior authority from the Prime Minister, I naturally addressed that matter in the inquiry and I find absolutely no evidence whatever that he did, and I do not believe that he did". How was it possible to form this clear view by speaking only to officials?

(b) On ^{the morning of} 6 January, did Mr. Brittan discuss with any official in the DTI either an expectation that the Solicitor-General would write or the possibility of disclosing his advice?

7. In answer to Q. 1218 you said that there were calls earlier in the morning of 6 January between No.10 and the DTI about the general situation but not about the Solicitor-General's letter. Can you be more precise about the subjects of these calls? How many took place? Which officials were involved?

8. Was any of the officials involved aware, before the disclosure, of any view expressed by Westland plc about Mr. Heseltine's letter of 3 January or about the need to have any correction in the public domain by the time of the Press Conference on 6 January? Did you yourself ascertain the views of the company?

9. How many copies of the Solicitor-General's letter were made at No.10 and at the DTI, and to whom were they distributed?

10. You told the Committee [Q.1216] that the Private Secretary at the DTI tried to speak to No.10 before speaking to Mr. Brittan but that the Private Secretary's line concerned was engaged. What was to have been the purpose of this call?

11. The Prime Minister is reported [Official Report, 23 January 1986, col. 450] as saying that the Solicitor-General's letter was brought to the attention of the Secretary of State for Trade and Industry at about 1.30 p.m. on 6 January. You told the Committee that after the conversation between the DTI official and Mr. Brittan the time was "I do not know, quarter past one, twenty past one, something around about that time; it is impossible to say exact times but near enough" [Q.1190]. Did the Prime Minister rely on your report for the time of the call, or is there any error in the record? Was the time of the call included in your report?

12. In answer to Q.1190 you said "... what was clear at the end of the conversations was that the Prime Minister's office and the people to whom the DTI spoke accepted that the DTI should make the disclosure and agreed that in the time available the only practicable way of getting the matter into the public domain within the time constraint (the 4 o'clock deadline) was the method that was eventually adopted". Did Mr. Ingham in fact give instructions or advice to anyone in DTI about the form or method of the disclosure of information?

13. Was Mr. Ingham as the most senior information officer aware that the advice of Law Officers was in a special category? If so, did he warn anyone at any stage about the undesirability or the consequences of revealing Law Officers' advice? [You said in answer to Q.1227 that at the "specific point" when officials of the DTI consulted No.10 no caveat was entered by No.10 officials]

14. Had Miss Bowe been involved with the preparation or approval of the DTI Press Statement (Ref.12) sent by special messenger to be distributed at the Westland Press Conference? [See Q.1254].

15. How was the collective view between No.10 and the DTI of the need to make the Solicitor-General's view public formed?

16. What consideration was given to any method of disclosure other than that adopted? [Q.1299 refers].

17. The Prime Minister told the House that Mr. Brittan "made it clear that, subject to the agreement of my office ..."
[Official Report, 23 January 1986, col. 450; and again at col. 655 of 27 January]. Mr. Brittan repeated this in the House [col. 671 of 27 January] and to the Committee [Q.933: "I would particularly stress, it all had to be subject to the agreement of No.10"].

In answer to Q.1196 you said that Mr. Brittan did not use the words "subject to the agreement of". Did you ask Mr. Mogg whether or not Mr. Brittan used these words? Would you have preferred to have been able to ask Mr. Brittan directly whether he used those words?

18. When did Miss Bowe first see a copy of the Solicitor-General's letter and by what means?

19. In answer to Q.1324 you said that Miss Bowe "shared her burden" with the other officials directly associated with the matter. Who were they? Was any of them senior to Miss Bowe?

20. Did any of the officials concerned seek the advice of a professional association?

21. Did Miss Bowe consult Sir Brian Hayes after the contents of the letter had been disclosed?

22. Why were extracts from the Solicitor-General's letter given to the Press Association unattributably?

23. Would it have been normal for the five officials concerned to have been available over the whole of the period from 1200 to 1430?

24. Who was present when the Prime Minister discussed the matter of the disclosure with her office on 7 January? [See Official Report, 27 January 1986, col. 657, and Q.1342].

25. When did Mr. Ingham first give (a) to the Prime Minister and (b) to you details of the contacts between No.10 and the DTI and their outcome? Was there any further discussion on this matter before the Prime Minister authorised the institution of an inquiry?

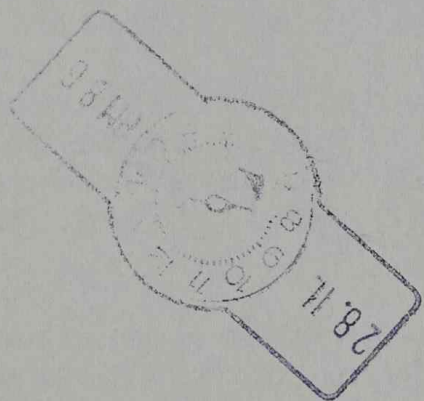
26. In the light of the Solicitor-General's letter of 7 January to Mr. Heseltine, when was the Solicitor-General told, and by whom, that disclosure had been authorised?

27. Why did you not frame clear terms of reference for your inquiry and agree them with the Attorney-General? You said in answer to Q.1267 that you were asked "to find out the circumstances of the disclosure". Was it in these precise terms that the Prime Minister instructed you?

When and where were your interviews conducted? [An answer on one point is given in Q.1273].

28. On what basis did you form the view that it was possible to elicit the facts without interviewing Ministers? [Q.1114 refers].

29. In what proportion of such inquiries in the last ten years have Ministers been interviewed or have otherwise given information to the official conducting the inquiry?
30. What do you understand by the Prime Minister's statement that she 'co-operated' with your inquiry [Official Report, 27 January 1986, col. 656]? What form did the co-operation take?
31. Did you at any time consider interviewing any official in the Law Officers' Department?
32. Has any of the five officials you interviewed seen a copy of your inquiry report?
33. Did Mr. Brittan receive a copy of your report before you discussed it with him and with the Prime Minister?
34. Did your discussion with the Prime Minister and the then Secretary of State for Trade and Industry cause you to change anything in your report? or would you have done so had your report not by then been submitted? [Q.1115 and Qs. 1166-1167 refer].
35. In the light of your inquiry on this occasion have you considered amending any advice given to civil servants on their relationships with Ministers?
36. Did the Solicitor General ask that an inquiry should be instituted?



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CA
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CONFIDENTIAL

Charles Powell Esq
11 Roland Way
London SW7

28 February 1986

Dear Mr Powell

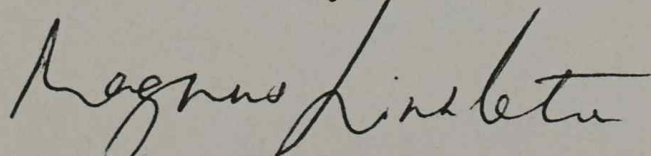
I gather William Shawcross has mentioned to you a book we are proposing to write on the Westland affair. He tells me however, that at the moment you do not feel that you are in a position to help with any information. While I fully understand your reasons for saying so, I wonder if I could venture a few observations which might possibly change your mind.

We have already approached all the main participants on the political side (with the exception of course of Mrs Thatcher) and either have been or are about to be given access to them.

Inevitably, they have given their own version of events, and while we can balance them against each other and draw our own conclusions about what really happened, the case for the civil servants tends to go by default. In the past few days, we have I think made a little progress on this, but if the end result is to be fair it would help enormously if we could get some guidance from you. Our main aim is to try to tell the story as fully and as accurately as possible. I need hardly add that anything you might say would be treated on a completely confidential basis without attribution and for background only. I do hope you may feel able to help.

We met once before when I was working on a book about terrorism. That one came to nothing in the end, but the auspices for this one, are, I think, a little better.

Yours sincerely,



MAGNUS LINKLATER



Sir Brian Hayes KCB
Permanent Secretary

DEPARTMENT OF TRADE AND INDUSTRY

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27 February 1986

Michael Stark Esq
Private Secretary to
Sir Robert Armstrong GCB CVO
Cabinet Office
70 Whitehall
LONDON SW1

Handwritten: CB 27/2
R. Small
F

Dear Michael

You will recall that Sir Brian wrote to Sir Robert on 25 February concerning a letter and two memoranda which he proposed to send to the Clerk to the Defence Committee. All was clearly not well with our distribution system that day and of the first memorandum only the first page was
..... included. I now attach a second page and a cutting from the Wall Street Journal which together complete that memorandum.

I am sending copies of this letter to Nigel Wicks, Murdo Maclean, David Morris, Sherard Cowper-Coles and John Pitt-Brooke.

Yours ever

KEN LUSSEY
Private Secretary

FOXABL



Representations from US sources that there might be difficulties with Airbus from an American point of view in the event that the Sikorsky bid was frustrated (Question 1036).

I am not aware of any representations from US sources made to Ministers or officials suggesting a danger to Airbus sales in this event. On checking the record, I find that the conversation I recalled, in which concern was expressed about possible repercussions in the United States, related to another aspect of British Aerospace business in that market, unconnected with Airbus. A report in the Wall Street Journal on 6 January (copy attached) also suggested that the Westland affair had highlighted "a deep anti-Americanism among some European government officials and industry people". US diplomats were reported as being troubled by the situation, expressing concern that co-operation between Europe and the US might become more difficult.

The Department's view of the possibility that Westland might fall under foreign ownership (Question 1041).

The Department has taken no view on the question of foreign ownership of Westland in general. It has taken the view that any specific proposal for foreign ownership would have to be considered on its merits, taking account of the strategic implications, Westland's future prospects and the possible alternatives.

Number of Ministerial meetings with people outside the Department attended by Mr Mogg (Question 1088)

During the time Mr Brittan was in office Mr Mogg attended between 90 and 100 Ministerial meetings with people outside the Department.

Takeover Battle for British Helicopter Firm Sets Off Flurry of Anti-American Rhetoric

By CRAIG FORMAN

Staff Reporter of THE WALL STREET JOURNAL

LONDON—The battle to take over a small British company has highlighted a deep—and, to some, disturbing—anti-Americanism among some European government officials and industry people.

United Technologies Corp. of the U.S. and Fiat S.p.A. of Italy are competing with a consortium of European companies to bail out Westland PLC, an ailing helicopter maker. While the size of the deal is small (either rescue would be valued at about \$100 million at current exchange rates), the issue has stirred a big political battle.

It appears that, despite talk of cooperation, many Europeans don't want U.S. companies in their home markets. The affair also has highlighted a streak of economic interventionism in the Thatcher government. Perhaps most important, it has shown that increased transatlantic defense cooperation is easier in theory than in practice.

British politicians, businessmen and commentators have lashed out against the United Technologies/Fiat plan for Westland. Some worry that the British helicopter maker will be just a "tin-basher" for the Americans. In Parliament, a member of the governing Conservative Party has urged the government not to lose "a vital company and its technology to the U.S."

Us vs. Them

The takeover battle is entering its decisive stage. It clearly has touched a raw nerve. "It's an 'us-against-them' situation at the moment; all of the European helicopter industry is fighting against the threat of American intervention," says Robert Golding, an aerospace analyst at London stockbrokers Quilter Goodison. Donald Kerr, an analyst at the London-based International Institute for Strategic Studies says the Westland situation has highlighted "a wide-ranging distrust (in Britain) of corporate decisions made from outside national frontiers."

Some here fear that United Technologies, through its Sikorsky helicopter unit, would let the British company's design expertise atrophy while gaining a larger stake in the European helicopter market. Both United Technologies and Westland's board deny this, saying Westland will continue to design and build its own craft. Indeed, they contend that the European plan, under which Westland may make parts for planned joint European projects, poses greater risks to Westland's independence.

More broadly, the Westland affair shows reservations about increasing U.S.-European cooperation in defense, and suspicion about American business interests.

"In the back of people's minds, there still is the thought of 'here we go handing over yet another bit of the family silver to the Americans,'" one U.K. executive says.

Moreover, Europeans are scrambling to collaborate in aerospace, computers and other technology fields. So resistance to collaborating with U.S. enterprises may grow.

"Cooperative ventures (in defense matters) are the flavor of the month in Europe in the 1980s," says Mr. Kerr of the I.I.S.S.

Westland makes many of Britain's military helicopters, as well as commercial helicopters. Westland's board supports the United Technologies/Fiat plan, which provides for a capital injection in return for a 29.9% stake. The board says the capital would allow Westland to overcome a temporary shortage of orders and restructure its finances.

The United Technologies/Fiat plan would give the U.S. firm an increased presence in the European helicopter market. The European plan, obviously, would keep United Technologies out. Five European companies—Aerospatiale S.A. of France, Agusta S.p.A. of Italy, Messerschmitt-Boelkow-Blohm G.m.b.H. of West Germany and British Aerospace PLC and British General Electric Co.—would offer

"IN the back of people's minds, there still is the thought of here we go handing over yet another bit of the family silver to the Americans," one U.K. executive says.

more money for the same stake United Technologies and Fiat are seeking, though the U.S. company and Fiat are expected this week to announce a sweetened bid matching the European offer. Both plans would mean considerable new work for Westland.

The Westland affair is focusing attention on the so-called special relationship between the U.S. and Britain. The two nations are partners in the North Atlantic Treaty Organization, while France—whose state-owned Aerospatiale could gain mightily by keeping the U.S. company out of the European helicopter market—withholds its military forces from NATO control.

New Rapport

Also, the sudden cooperation between U.K. and French defense interests in the European proposal follows a rocky period after a failed effort by Prime Minister Margaret Thatcher to win a multibillion-dollar U.S. military communications contract over French competition.

The Westland situation troubles some U.S. diplomats. "In the future, we're going to be working towards a closer integration between Europe and the U.S.," says one, who wonders if cooperation is going to become more difficult.

Some defenders of the European scheme say the primary motive is simply to extend European cooperation. But Sir John Cuckney, Westland's chairman, has another theory.

"There's been a major anti-American

motive in all of this to keep United Technologies out of the European market," he says. "But it isn't up to our company to do what is best for one industry or another."

A few months ago, Sir John says, "No one wanted to help us. Then we set up a deal with American and Italian participation and it scared the living daylights out of them."

Westland lost the equivalent of \$140 million for the fiscal year ended last Sept. 30. The company had thought it might have to cease operating.

"Three months ago no one wanted to speak with us," says Michael Baughan, an official of Lazard Brothers & Co., the merchant bank advising Westland. "Now we have two proposals to rescue the company."

Italy Means to Keep Ties With Libyans, Despite U.S. Pressure

By a WALL STREET JOURNAL Staff Reporter

ROME—Despite growing U.S. pressure, Italy means to maintain its privileged relations with Libya unless firm proof emerges that the government of Muammar Qadhafi is backing terrorist groups.

Diplomatic and other government sources said Italy's relations with its former colony had entered a difficult phase after the recent terrorist attack at Rome's airport. But they emphasized Italy's opposition to any military action against Libya, and argued that economic sanctions would serve no purpose.

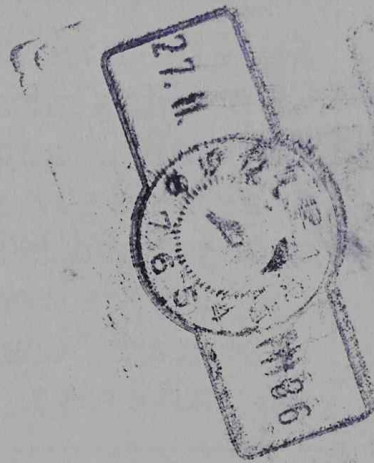
"We have informed Washington that we firmly reject the idea of a military strike (against Libya)," one official said. "In the absence of solid proof of Libyan backing for terrorist attacks, we don't feel we're at the point where our relations with Tripoli must be reconsidered."

The U.S. has made clear it believes Libya has helped terrorist groups, including those responsible for the Dec. 27 attacks on the Rome and Vienna airports, and called upon its European allies to impose sanctions.

Because Italy has a special relationship with Libya, it is sensitive to U.S. calls to act against Tripoli. Italian sanctions could have a devastating effect on the Libyan economy. However, important Italian economic and political interests are also at stake.

Libya, an Italian colony between 1911 and 1943, takes 30% of its imports from Italy and is Rome's 10th largest trading partner.

AEROSPACE
WESTLAND
PTY





10 DOWNING STREET

From the Private Secretary

26 February 1986

You sent us a copy, under cover of your letter of 25 February to Sir Robert Armstrong, of the memoranda which you intend to send to the Defence Select Committee to follow up your evidence.

We have no comments on these.

(Charles Powell)

Sir Brian Hayes, K.C.B.,
Department of Trade and Industry.

SMW



Sir Brian Hayes KCB
Permanent Secretary

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25 February 1986

Sir Robert Armstrong GCB CVO
Cabinet Office
70 Whitehall
LONDON SW1

Mr. Lowell ^{EDD.}

I have no comments on this.

Dear Robert,

*N.C.U.
26.2.*

F

When I appeared before the Defence Select Committee on 30 January I undertook to let the Committee have notes on several items on which I was not able to supply full answers at the time. I attach a draft of a letter I propose to send to the Clerk to the Committee together with two memoranda covering these items.

I should be grateful if you could let me know if what I propose to send causes you any problems. I am sending copies of this letter to Antony Acland, Clive Whitmore, Nigel Wicks, Murdo Maclean and David Morris.

*Yours ever,
Brian*

BRIAN HAYES

FOXAAF

**17
19** **86**
BOARD OF TRADE
BICENTENARY

DRAFT

Addressed to:

Robert Rogers Esq
Clerk to the Defence Committee
of the House of Commons
Committee Office
House of Commons
London SW1A 0AA

File No.

Copies to:

Mr Macdonald
Mr Michell
Mr O'Shea
Mrs Williams
Miss Currell

Originated by:

(Initials and date)
M.K.O. 19/2/86

Seen by:

(Initials and date)

Enclosures:

Type for signature of

SIR BRIAN HAYES
.....
(Initials and date)

DEPARTMENT OF TRADE AND INDUSTRY

I am now enclosing two memoranda covering the points on which I promised the Committee further information when I gave evidence on 30 January. I confirm the request I made at the time that the memorandum dealing with overseas helicopter companies should be treated as confidential to the Committee.



HOUSE OF COMMONS DEFENCE COMMITTEE
Memorandum by Sir Brian Hayes following evidence given on
30 January

Discussions between Department of Trade and Industry and
Ministry of Defence during summer of 1985 (Question 1006)

Sir John Cuckney became Chairman of Westland on 26 June, following the withdrawal of the bid by Bristow Rotorcraft and the resignation of Sir Basil Blackwell. Sir John made it clear that he wished to receive the report on the company's financial position that had been commissioned from Price Waterhouse, and to consider the options for Westland in the light of that report, before deciding what course to take.

It was against this background that Mr Pattie replied to the Adjournment Debate in the House of Commons on 8 July. During the summer the Department remained in close touch both with Westland and with the Ministry of Defence, but discussions were necessarily restricted until the outcome of the Chairman's review of the company's position was known. The future of AST 404 was not an immediate focus of discussions between the two Departments because the Ministry of Defence had announced that they were reviewing their requirements for support helicopters and it was known that no decisions were imminent. Nevertheless the Department continued to discuss with the Ministry of Defence the implications of a decision on AST 404 for Westland's future plans.

A new phase of more intensive discussions began in the second half of September when Westland informed the Department and the Ministry of Defence of their plans for a financial reconstruction and asked the Government to underwrite sales of W30-160 helicopters. This request was put formally to the two Departments by Sir John Cuckney at a meeting on 24 September.



CONFIDENTIAL
COMMERCIAL IN CONFIDENCE

HOUSE OF COMMONS DEFENCE COMMITTEE
Memorandum by Sir Brian Hayes following evidence given on
30 January

Overseas helicopter companies (Question 1062)

There are eight major helicopter manufacturers in the Western world: Bell, Boeing Vertol, Hughes/McDonnell Douglas and Sikorsky in the United States; Aerospatiale, Agusta, MBB and Westland in Europe. The following assessment is based on information available to the Air Division of the Department of Trade and Industry.

2 The four US companies are all part of larger corporations (respectively Textron, Boeing Aircraft, McDonnell Douglas and United Technologies). All can thus call on strong financial backing for the launch of new projects and for investment in new technology. They are also heavily supported by the Department of Defense with large production runs for military projects and investment in advanced technology projects, both research and demonstrator.

3 So far as the European companies are concerned, Aerospatiale's helicopter operation is only part of this state-owned company's wider aerospace interests. The French Government supports Aerospatiale directly through purchases of helicopters for the armed forces (which operate no US helicopters) through low interest loans and through generous export credit arrangements and indirectly by support of new projects.

4 Helicopters are also a relatively small part of MBB's aerospace interests. Though a public company MBB is supported by the Bavarian Government and is heavily dependent upon Government helicopter purchases for military and para-military use.

5 Whilst helicopters form the largest single part of Agusta's activities the group is also quite widely diversified, notably into smaller fixed wing aircraft (Siai Marchetti and Caproni). The group is owned and supported by the State holding company EFIM, with whose assistance substantial financial reconstruction was carried out in 1984. Agusta also receives direct government support through military and para-military helicopter purchases and through low interest loans to assist the launch of new commercial products.

CM2AAD



6 In terms of numbers of civil helicopters sold, Bell is by far the most successful, with Hughes/McDonnell Douglas in second place. But in both cases sales are concentrated heavily in the small helicopter end of the market. Aerospatiale ranks third, again with sales numbers concentrated on small aircraft but covering a wide range of sizes. The remaining companies rank as follows: Sikorsky, Agusta, MBB, Westland, Boeing Vertol.

7 So far as design and engineering capability is concerned, each of the US companies has produced a number of indigenous designed helicopters. Boeing Vertol has a long history of military helicopter design and is noted particularly for the tandem rotor Chinook. Boeing Vertol is currently developing the tilt rotor JVX in collaboration with Bell.

8 Bell has itself designed a variety of helicopter types, specialising in two bladed rotor planes. It developed the Huey series of military craft which led to the civil designs Bell 212, 412 and 214 ST. Its other current, wholly civil design aircraft is the Bell 222, while the XV15 was its prototype design tilt rotor which is providing the basis for the JVX with Boeing.

9 Hughes developed the 300 series of piston powered small helicopters, followed by the 500 series of turbo shaft powered machines, both sold into military and civil markets. More recently it has designed the Apache, military only, aircraft. The 500 series has been taken into McDonnell Douglas.

10 Sikorsky, the inventor of the helicopter in the early 1940s has a history since then of indigenous design, including the S series 51, 55, 56, 58, 61, 70 and 76. Westland has produced UK versions of four of these under licence: S 51, 55, 58 and 61, known in the UK as the Dragonfly, Whirlwind, Wessex and Sea King.

11 Aerospatiale has the greatest breadth of experience among the European companies in in-house design and development with the Alouette, Dauphin, Ecouirel and Frélon produced alone and the Puma and Gazelle in collaboration with Westland. (The Lynx, a Westland design, involved some Aerospatiale collaboration.) Aerospatiale is also successful at marketing its products, although this is often at the cost of highly competitive "loss leader" selling with the result that helicopter sales have probably contributed substantially to past losses for the company as

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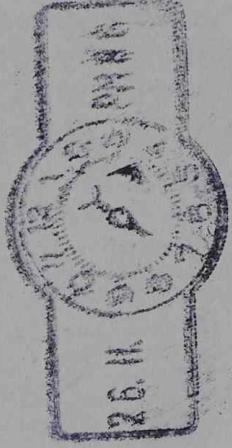


a whole.

12 MBB and Agusta have more limited experience of in-house design with MBB having designed only one helicopter, the BO105, alone, and one, the BK117, in collaboration with Kawasaki of Japan. Agusta has designed only the A109 (which led to the A129) alone. Agusta has, however a history of building under licence to U.S. companies (including the Sikorsky S 61).

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PRIME MINISTER

The Chief Whip saw three Conservative members of the Defence Select Committee (Sir Humphrey Atkins, Michael Mates and Neil Thorne) about their Westland's inquiry. The Chief thinks that, as a result of his conversation, the Select Committee will drop their proposal to call Bernard and Charles to give evidence. But they still intend to recall Robert Armstrong next Wednesday week to ask him some further questions, notice of which he may be given early next week.

The Chief Whip's Office are as much at a loss as I am to understand what good the three backbenchers think they will accomplish by recalling Robert. The Chief has done his best to dissuade them, but to no avail.

N.L.W. ms

NLW

25 February 1986

VC71



COMMITTEE OFFICE
HOUSE OF COMMONS
LONDON SW1A 0AA

01-219 (Direct Line)
01-219 3000 (Switchboard)

DEFENCE COMMITTEE



1. 121 Payroll am.
2. 121 Flecker
F

19 February 1986

Dear Sir Brian,

I have delayed replying to your letter of 12 February attaching extracts from the documents of 4 and 18 October 1985 pending the Committee's consideration of those documents.

As I told your office earlier today the Committee this morning decided to publish the unclassified parts of the memoranda. I enclose a copy of the press release which was issued this afternoon. You will see that the Committee also re-published the summaries which you provided with your letter to me of 4 February.

The Committee have asked me to say that they believe that the documents speak for themselves, and that they will wish to make reference to these matters in their Report on their present inquiry.

Yours sincerely,

Robert Rogers

Robert Rogers
Clerk to the Committee

Sir Brian Hayes KCB
Permanent Secretary
Department of Trade & Industry
1 Victoria Street
SW1

cc. Sir Robert Armstrong
Sir Clive Whitmore
✓ Sir Antony Acland
→ Nigel Wicks
David Morris
Murdo MacLean



COMMITTEE OFFICE
HOUSE OF COMMONS
LONDON SW1A 0AA

DEFENCE COMMITTEE

INFORMATION FOR THE PRESS

At their meeting this morning the Defence Committee decided to publish the attached memoranda supplied on 12 February by Sir Brian Hayes, Permanent Secretary at the Department of Trade and Industry.

These memoranda consist of extensive extracts from the then Secretary of State for Trade and Industry's minute of 4 October 1985 to the Prime Minister about Westland plc, and from a letter sent by Mr Brittan's Private Secretary to Mr Heseltine's Private Secretary on 18 October 1985, reporting a discussion between Mr Brittan and Sir John Cuckney on 17 October 1985.

A small amount of classified information has been excluded from this published version.

These documents have been reported to the House.

Also attached are the summaries of these documents, which were submitted to the Committee by Sir Brian Hayes on 4 February.

19 February 1986

EXTRACTS FROM A MINUTE DATED 4 OCTOBER 1985 FROM MR LEON BRITTAN, THEN SECRETARY OF STATE FOR TRADE AND INDUSTRY, TO THE PRIME MINISTER

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BACKGROUND

2 Following the Price Waterhouse review of the company's position, Sir John Cuckney put to my Department and to the Ministry of Defence proposals for a financial reconstruction which he believed was an essential first step in a strategy for the company's future viability. The main features of this package were:

- (i) New capital to be raised for existing shareholders and a new large minority shareholder, possibly Sikorsky or a European company, with whom Westland are in discussion.
- (ii) Westland's banks to convert a substantial portion of overdraft into equity.
- (iii) The Government to underwrite 45 sales of the W30-160 helicopter in order to avoid a crippling write-off of inventory against shareholders' funds for the financial year ending 30 September 1985.



3 Officials have reviewed these proposals and the underlying financial position with Westland's staff and advisers. They have concluded:

- a) The proposed package would indeed provide a reasonable prospect of securing the company's viability in the medium term.
- b) At the other extreme, if no action is taken, receivership is likely to be unavoidable.
- c) It might be possible to construct an adequate package on the same basis as that proposed by the company, but involving a smaller number of W30-160 sales - perhaps only the 21 aircraft for the Indian Oil and Natural Gas Corporation (ONGC). This could only be substantiated, however, by discussion with the company's bankers. Annex A gives a summary of the company's financial position and the impact of a reconstruction package.

4 I do not believe that an underwriting of sales on the scale proposed by Westland would be justified. However I believe there may be a case, for the reasons set out below, for underwriting the sale of 21 helicopters if there remain good prospects of concluding the Indian order. If we decided to adopt this approach, I would envisage asking Westland to negotiate with their banks and potential partners on the assumption of firm sales of 21 W30-160s. I would say that if a reconstruction package could be put together on that basis, and if by the end of November discussions with the Indians were still in the Government's judgement active though unconcluded, the Government would be prepared to consider underwriting the sale of the 21 aircraft. However a final decision would only be made at the time in the light of an up-to-date assessment of the prospects of obtaining the ONGC order.



5 I believe Government participation in a reconstruction package should be conditional on the following assurances from Westland:

- that they would continue to participate in the EH101 programme.
- that the W30-300 programme would continue at least until the MOD's procurement timetable becomes clear in 1986.
- that they would continue to provide spares and support for the existing MOD helicopter fleet.
- that in the event of Government underwriting the company would continue to use its best endeavours to sell the aircraft.

POSSIBLE BENEFITS OF GOVERNMENT UNDERWRITING

6 I would not argue that supporting Westland should be a priority use of resources from a purely industrial point of view. Although Westland is the only UK helicopter manufacturer it is not central to the aerospace industry. Moreover, while other UK companies (notably Rolls Royce) have important business with Westland, my Department is not aware of any which is financially dependent on Westland's continued existence.

7 Nor is there a strong argument that the proposed package will improve the chances of my Department's launch aid being recovered. It would not of itself guarantee continuation of the W30-300 programme (on which £38m of the agreed £41m launch aid has been paid). That would still critically depend, I believe, on an MOD launch order. If the programme were terminated, even after a capital reconstruction, it seems unlikely that much of



the launch aid could be recovered without serious financial damage to the company. The package should secure the continuation of the EH101 programme, but only £5m of the agreed £60m launch aid for this project has so far been paid.

8 I believe the remaining arguments are:

- i) Military: that it is essential to secure support for the existing helicopter fleet and desirable to preserve an indigenous source of design, development and supply. It is of course for Michael Heseltine to advise on the strength of this argument.
- ii) International: that it will be damaging to the UK's relations with India if, after the diplomatic efforts of the last year, Westland cannot now conclude the contract for the ONCC.
- iii) Political: that if the Government does not help it will be blamed for allowing the company to go into receivership.



FOREIGN OWNERSHIP

9 At present the company most likely to be willing to take a large minority shareholding appears to be Sikorsky. No solution involving a British company is on the cards. Westland are in contact with MBB, Aerospacial and Agusta and I believe they should be encouraged to pursue the possibility of a European solution. The prospects of a European solution being developed within the timescale do not seem to be good, but I should like to get a better assessment of those prospects before responding formally to Westland's proposals. However, if it emerged that a solution involving Sikorsky was the only realistic option I do not believe we should reject the package solely on that ground, provided we obtained the assurances from the company outlined in paragraph 5 above.

FINANCE

10 It is an important feature of the approach I have outlined that the Government would only agree to underwrite W30-160 sales if it assessed the prospects of concluding the Indian order as good - in other words, if the risk of the Government incurring expenditure as a result of the underwriting was acceptable. Nonetheless, I have reluctantly concluded that I could not use any of my Department's agreed PES allocation to meet any expenditure that might result : the industrial argument for giving Westland further assistance do not justify the use of my Department's very scarce and indeed decreasing financial resources

RECEIVERSHIP

11 If the Government decided not to participate in a package of the sort I have discussed, the company would probably go into receivership. It is by no means certain that such an outcome would be damaging to essential national interests, or more costly to the Government than participation in a reconstruction package.



The difficulty is that receivership would create an uncontrolled situation whose outcome was unpredictable.

12 Much would depend on whether a purchaser could be found for key parts of the business - continuing Lynx and Sea King production, the EH101 programme and the provision of spares and support. If so, the Government's essential procurement interests would be safeguarded. Such an outcome appears possible in view of the interest British Aerospace have expressed in acquiring certain parts of the business in the event of receivership.

13 However there would be potential costs to the Government. The Receiver might demand Government funding of his operations in order to keep the helicopter business going while a purchaser was sought. There would be indirect costs, for example associated with ECGD exposure and redundancies.

And if no purchaser could be found, receivership might result in the UK's participation in the EH101 and production of Lynx and Sea King being ended and the provision of spares and support for the current MOD helicopter fleet being jeopardised.

14 I believe it is a fairly fine judgement whether the risks involved in receivership are worth taking. On balance, I believe it would be preferable to agree to participate in a reconstruction package if the conditions I have outlined were met.

*

*

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CONCLUSION

19 I recommend that our initial response to Westland should be to urge them to pursue discussions with possible European partners urgently. We should decide in the light of those discussions whether to indicate to Westland, on the lines set out in paragraphs 4 and 5 of this minute, the Government's possible willingness to participate in a reconstruction package. It will, in any event, be desirable to indicate our position to the company reasonably promptly - and certainly well in advance of the November deadline - both so that the company knows where it stands and to ensure that no question arises of a breach of Companies Act obligations.

EXTRACTS FROM A LETTER DATED 18 OCTOBER 1985 FROM MR BRITTAN'S
PRIVATE SECRETARY TO MR HESELTINE'S PRIVATE SECRETARY



3 Sir John also asked whether the Government would consider underwriting the Indian order. Mr Brittan replied that he was not now authorized to make any underwriting offer. Sir John also asked whether the Ministry of Defence would now pay Westland the £6m which they owed the company. Mr Brittan replied that that was a matter for MoD: however, he did undertake to pass on to Mr

Heseltine Sir John's concern.

4 Sir John said that he was well aware of the Government's preference for a European minority shareholder in Westland, and attached weight to that preference. He had now held talks with MBB, Aerospeciale and Agusta, invited them all to participate, and made it clear that Westland would consider any reasonable proposition. The interest of all three companies was totally negative: they were only interested in blocking Sikorsky. All three were also Government owned, loss-making, and suffering from excess capacity. Agusta appeared to be the most positive of the three, and had expressed interest in the possibility of coming in with United Technologies - i.e taking some part of a 29.9 per cent shareholding with them. But progress was slow and Agusta had yet to come forward with any definite proposals. To persuade the banks to convert debt into equity, it would be necessary to produce as positive and forward looking a prospectus as possible; and to bring about a deal in time, Westland needed a relatively quick decision. On both these counts, a deal with Sikorsky looked the best option, if not the only one.

5 The Secretary of State noted what Sir John said. He said that a European minority shareholder was in both the commercial and political interests of the Government. The Government therefore wished to be certain that a deal with Sikorsky was the best, or the only, option. The idea of Agusta coming in with Sikorsky was attractive, and he would be grateful if this could be pursued further. Sir John replied that he believed that he had fully discharged his responsibility to pursue the possibility of a European minority shareholder. He could not press the European companies further without importuning. In view of what Mr Brittan said, however, he would contact Agusta once more as a matter of urgency. But he believed that the only practicable solution in the end would be a deal with Sikorsky.



MR BRITTAN'S MINUTE OF 4 OCTOBER 1985

Mr Brittan's minute began by setting out the background. Westland had put to the DTI and MOD the company's proposals for a financial reconstruction necessary to put Westland on course to future viability. The main features were:

- i. the raising of new capital from existing shareholders and from a new outside minority shareholder, whether Sikorsky or a European source;
 - ii. the conversion of bank debt into equity;
 - iii. Government underwriting of 45 W.30-160 sales.
2. Mr Brittan reported that DTI and MOD officials considered that such a package would provide a reasonable prospect of viability; that if nothing were done, Westland would probably go into receivership; and that underwriting of only 21 helicopters, subject to discussion with the banks, might provide an adequate reconstruction package.
3. Mr Brittan said he considered underwriting 45 sales would be unjustified. He considered, however, that the company might be told that if by the end of November

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contract discussions with the Indian Oil and Natural Gas Corporation for the sale of 21 W.30s were still active, although not finalised, the Government would at that stage be prepared to consider underwriting that number of aircraft. However he thought a decision should be taken at the time in the light of progress in India. In any event, the Government should only involve itself in a reconstruction package if satisfactory assurances were received from Westland on the continuation of collaborative and launch-aided projects and of support for Westland aircraft in service with British forces.

4. Mr Brittan went on to suggest that there were no industrial policy grounds for giving a high priority to support of Westland in considering the disposition of Government financial resources. He noted that the proposed reconstruction package would not in itself ensure continuation of the launch-aided W.30-300 programme: the critical factor here he believed would be a MOD launch order. On the other hand, the package should ensure the continuation of the EH101.

5. Mr Brittan then briefly noted that there were military, international and political considerations also to be taken into account.



6. Turning to the question of an overseas shareholder, Mr Brittan noted that at that stage Sikorsky appeared the company most likely to be prepared to come in. There were no proposals from British companies. Westland were in contact with MBB, Aerospatiale and Agusta. Mr Brittan considered Westland should be encouraged to pursue the possibility of a European solution. Although the prospects of such a solution in the time available seemed not to be good, he wanted to have a better assessment of the possibilities before responding to the proposals from the company. If, however, it became clear that Sikorsky was the only practical possibility he did not consider the company's proposals should be rejected on the sole ground that they involved an association with Sikorsky, provided the required assurances were given by the company.

7. Mr Brittan then argued that if it were eventually agreed to offer underwriting, any contingent liability to Government funds should not be met from the DTI's financial resources which were very scarce and indeed decreasing.

8. Mr Brittan then considered the possible outcome of Westland going into receivership. He noted that the position would be uncontrolled and the outcome uncertain. A buyer might be found for certain parts of the business (for

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example British Aerospace had said they might consider an acquisition of some elements of Westland after receivership). But there could be costs to the Government via ECGD and redundancy payments; and there would be risks to existing projects, including collaborative projects. Mr Brittan concluded that on a balanced judgement, it would be preferable for the Government to take part in a reconstruction package, provided the required conditions were fulfilled, rather than allow Westland to go into receivership.

9. Mr Brittan then turned to the question of Mr Gandhi's forthcoming visit to the UK. He noted that the Government must continue to do all it could to help Westland obtain the Indian contract. If a reconstruction package were in place before Mr Gandhi's visit, he could be given firm assurances. However, recalling his own belief that it would be preferable to delay a response to the company until they had made more progress in discussions with possible European partners, Mr Brittan said in that event the Prime Minister would need to be briefed to answer a number of possible questions from Mr Gandhi. He suggested officials should put such briefing in hand.



10. In a concluding section, Mr Brittan summarised his recommendations. He recommended that the Government's initial response to Westland should be to urge the company to pursue discussions with possible European partners urgently. In the light of the outcome, the Government should then decide whether it was willing to participate in a reconstruction package. He noted that it was desirable to come to a decision reasonably quickly, and in any event well before the end of November.

11. Mr Brittan finally said the Prime Minister might wish to call a meeting, particularly to consider the forthcoming talks with Mr Gandhi.



MEETING BETWEEN THE SECRETARY OF STATE FOR TRADE AND
INDUSTRY (MR BRITTAN) AND SIR JOHN CUCKNEY, 17 OCTOBER 1985

It was agreed at a meeting of Ministers on 16 October that the Secretary of State for Trade and Industry should see Sir John Cuckney as soon as possible to explain the Government's position. The meeting took place on 17 October. Attached is a summary of a letter dated 18 October from Mr Brittan's Private Secretary to Mr Heseltine's Private Secretary, recording what was said at the meeting. The summary does not cover certain material in the letter which is commercially confidential.

Following normal practice with meetings of this kind, the Private Secretary's record was not put to Sir John Cuckney for his comment or agreement before it was issued.



Mr Brittan first told Sir John the Government's assessment of the prospects for securing an order from India for 21 W30-160 helicopters, in the light of the recent visit by the Indian Prime Minister.

Sir John asked whether the Government would consider underwriting the order. Mr Brittan said he was not now authorised to make any underwriting offer. Sir John also asked about the £6m which he said the Ministry of Defence owed the company. Mr Brittan said that was a matter for MOD, but undertook to pass on to the Secretary of State for Defence Sir John's concern.

Sir John said he was well aware of the Government's preference for a European minority shareholder in Westland, and attached weight to that preference. He had held talks with MBB, Aerospatiale and Agusta, invited them all to participate, and made it clear that Westland would consider any reasonable proposition. However he considered that the interest of all three companies was negative and that they were only interested in blocking Sikorsky. They were also Government-owned, loss-making and suffering from excess capacity. Agusta appeared to be the most positive and had expressed interest in taking a shareholding with United

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Technologies, but they had not come forward with any definite proposals. To secure a reconstruction it would be necessary to produce a positive and forward-looking prospectus, and to secure a reconstruction in time, Westland needed a relatively quick decision. On both counts a deal with Sikorsky looked the best option if not the only one.

Mr Brittan noted what Sir John said. He said that a European minority shareholder was in both the commercial and political interests of the Government. The Government therefore wished to be certain that a deal with Sikorsky was the best, or only, option. The idea of Agusta coming in with Sikorsky was attractive and he would be grateful if this could be pursued further. Sir John said he believed he had fully discharged his responsibility to pursue the possibility of a European minority shareholder, but in view of what Mr Brittan had said he would contact Agusta again as a matter of urgency. However he believed the only practicable solution in the end would be a deal with Sikorsky.



Prime Minister

Very interesting indeed.

Ref. A086/530

MR WICKS

*FILED ON SECURITY
Westland leak to the
Observer*

*But really to do, I
think.*

*N.L.U.
17-2*

In your letter of 30 December 1985, you conveyed the Prime Minister's approval for an inquiry to be undertaken into the apparent disclosure to The Observer of information in the then Secretary of State for Trade and Industry's minute of 4 October 1985 to the Prime Minister relating to Westlands, and for Ministers to be interviewed if that should prove necessary.

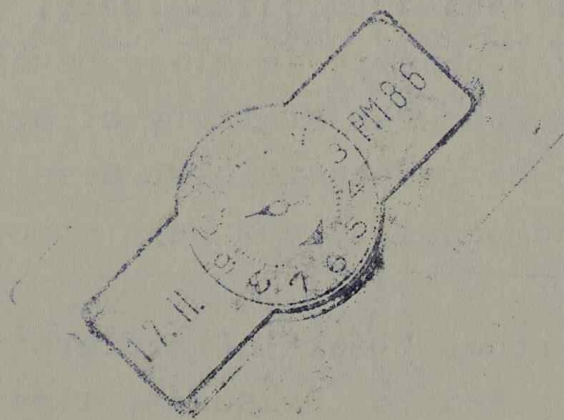
2. The investigator has now completed his inquiries into both The Observer disclosure and into a subsequent disclosure to the BBC "Panorama" programme of Mr Brittan's Private Secretary's letter of 18 October 1985 recording Mr Brittan's meeting with Sir John Cuckney on 17 October. The investigator has been unable to identify the person (or persons) responsible for the leaks. The inquiry has thus ended inconclusively, though the investigator believes that it is clear beyond reasonable doubt that the leaks came from the Ministry of Defence, and that "of all those who might be responsible Mr Heseltine certainly had the strongest motive and possibly the best opportunity".

3. There was a further "leak" of different extracts of the minute of 4 October 1985 to the Sunday Times a week later than the leak to The Observer. The inquiry has established that this disclosure was made to the Sunday Times by an official of the Department of Trade and Industry (not the one who disclosed the Solicitor General's letter of 6 January) on the instructions and with the authority of the then Secretary of State. The minute was of course one signed by the Secretary of State himself: it was thus "his" to disclose in a sense in which the Solicitor General's letter was not.

REA

17 February 1986

ROBERT ARMSTRONG



020



10 DOWNING STREET

Nigel

Previous letter of
10/2/86 Hayes to
RTA was not copied
to us

mango

14/2

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Sir Brian Hayes KCB
Permanent Secretary

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 4438
GTN 215)
(Switchboard) 01-215 7877

14 February 1986

Michael Stark Esq
Private Secretary to
Sir Robert Armstrong GCB CVO
Cabinet Office
70 Whitehall
LONDON SW1

N. Rowell

F

Dear Michael

In his letter of 10 February to Sir Robert about the meeting with Sir Humphrey Atkins and Dr John Gilbert, Sir Brian undertook to circulate a full note of the discussion. This
..... I now attach.

I am sending copies of this letter to Nigel Wicks, David Morris, Murdo Maclean, John Pitt-Brooke and Sherard Cowper-Coles.

Yours ever

KEN LUSSEY
Private Secretary

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To:

MR MACDONALD

cc PS/SoS
Mr Michell
Mr O'Shea
Mr Russell
Mrs Allan FRM

From:

KEN LUSSEY
PS/Sir Brian Hayes
Room 815, 1 Vic St
215 4439

12 February 1986

VISIT BY SIR HUMPHREY ATKINS AND DR JOHN GILBERT

You and Mr O'Shea were present when Sir Humphrey Atkins and Dr John Gilbert called on Sir Brian at 4.30pm on 10 February.

Discussion of the terms under which information was to be handed over Sir Humphrey and Dr Gilbert

2. Sir Humphrey started by setting out what he understood to be the object of the meeting. He and Dr Gilbert would see the 4 October and 18 October documents and make notes based on them. The two of them would then be supplied with extracts of the documents. These would be supplied on the basis, in the first instance, that they were being made available to the Committee and to no-one else. However, it would then be up to the Committee to argue with Ministers about whether the extracts and notes could be released or not. He was prepared to undertake not to release any extracts without first discussing the subject

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with Ministers, but he considered it an important constitutional principle that once a document was in the possession of a Select Committee, it was in the end up to the Select Committee to decide what to do with it. Sir Humphrey said that he would therefore be unable to guarantee that the Committee would not publish the documents in spite of Ministers' opposition; he noted, however, that in his experience and that of Dr Gilbert the Select Committee on Defence had never published anything which, after discussion and argument, Ministers had not accepted, however reluctantly, should be published.

3. Sir Brian said that it had been his understanding that notes and extracts were to be made available to Sir Humphrey and Dr Gilbert on the basis that it would subsequently be up to Ministers to give their consent, or not, to their release. Sir Brian said that he would regretfully be unable to allow Sir Humphrey or Dr Gilbert to take any part of the documents away with them on the terms described by Sir Humphrey. Sir Brian said that the documents under discussion were of a class which were not handed over to Select Committees. The 4 October minute from Mr Brittan was closely analogous to a Cabinet document and, while not in exactly the same category, the 18 October document represented a confidential inter-departmental document. He contrasted the latter to the internal DTI note of the Lygo meeting which had been released.

4. Sir Brian said that he would discuss the difference of understanding about the basis under which extracts were to be given to the Committee with Sir Robert Armstrong.

5. Having thus considered the issue of principle as far as was possible the meeting moved on to look at each of the two documents in turn with a view first to examining the reasons underlying the omission of parts of the original documents in the summaries and, second, as Dr Gilbert put it, to negotiate how much of the documents the Committee could have.

4 October document

6. Sir Humphrey said he thought he could see why the omitted pieces had been omitted but asked Sir Brian in any case to run through the reasons. Sir Brian identified three passages which had been omitted from the summary. The

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first was in the middle of paragraph 13 of the original and referred to redundancies at Westlands. He said that this was commercially confidential information which could give rise to problems for the company if released. Paragraphs 15-18 of the original referred to Mr Gandhi and paragraph 18 was completely omitted. He thought that if this was published it could well prejudice the contract and damage UK/India relations. Sir Brian identified the final omitted part as the annex to the original which contained strictly confidential information supplied by Westlands. Sir Brian noted that in the context in which the Committee were asking to see the documents, the essential part of the 4 October minute was fully and faithfully set out in paragraph 6 of the summary. Dr Gilbert noted that at this point the summary was actually longer than the original. Sir Brian said that special care had been taken to reflect both the meaning and the nuances in what was, in this case, a paraphrase rather than a summary.

7. Dr Gilbert said that he could understand why the passage in paragraph 13 had been omitted. However, he felt that the omission of this section coloured the way in which the rest of the document would be viewed. While he could understand that this information should not enter the public domain, it was not clear to him why it could not be shown to the Committee. Dr Gilbert suggested that as it was information which it was more proper for Westland, rather than the Government, to be sensitive about, then the best course would be for Sir Brian to ask the company if they minded disclosure of that information to the Committee. It was agreed that Sir Brian would speak to Westlands. Sir Humphrey and Dr Gilbert noted that while they could not in any way commit the Committee to non-disclosure of the passage, they could guarantee that nothing would be leaked and they would jointly recommend to their colleagues on the Committee that this passage should not be made public. This could only be done on the basis of a personal assurance to Westland from Sir Humphrey and Dr Gilbert; but both considered it almost certain that the Committee would agree with their recommendation.

8. Dr Gilbert initially considered that the Committee should be supplied with paragraph 18 of the original document. However, after some discussion, he agreed with Sir Humphrey that they did not wish to receive it.

9. Sir Humphrey suggested, and Dr Gilbert agreed, that the Committee would not ask for Annex A to the document.

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10. To summarise, Sir Humphrey and Dr Gilbert were asking for the Committee to be supplied with paragraphs 2-17 and paragraph 19 of the 4 October document, subject to Westlands' approval of the point about the omitted passage in paragraph 13.

18 October document

11. Sir Brian said that in the main what was omitted in the 18 October document as summarised were references to the conversation that Mr Brittan had with Lord Boardman later that afternoon.

12. Dr Gilbert said that he thought that the summary was a fair reflection of the original. He questioned, however, what was now sensitive about the omitted sentence from the end of paragraph 3 of the original. Sir Brian said that this passage revealed much about the negotiating position of the company relative to the banks and, while not as sensitive now as it was at the time of the meeting, could conceivably become so again.

13. After some discussion between Dr Gilbert and Sir Humphrey they agreed that they would not wish to receive paragraphs 6 and 7 of the original which did not relate to the meeting between Mr Brittan and Sir John Cuckney.

14. To summarise, Sir Humphrey and Dr Gilbert wanted to be supplied with the first sentence of paragraph 2 of the 18 October document, paragraph 3 as far as, but not including, the part which was omitted from the summary, and paragraphs 4 and 5.

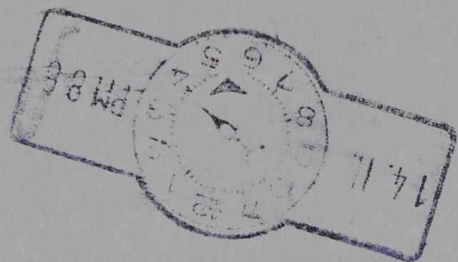
Next moves

15. Having agreed which parts of the documents the Committee would wish to receive, Sir Humphrey and Dr Gilbert left amicably but empty-handed. It was agreed that Sir Brian would consult with Sir Robert Armstrong about the terms under which the extracts could be handed over to the Committee. It was also agreed that Sir Brian would seek Westlands' approval to the release to the Committee of the passage about redundancies in the 4 October document.

KEN LUSSEY

KENAAA

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file to

PRIME MINISTER

Following your letter to Dr. Owen of 30 January, in which you explained that matters of discipline are for Heads of Departments, Dr. Owen wrote to Sir Antony Acland and Sir Robert Armstrong urging them to consider disciplinary action against Mr. Powell and Mr. Ingham. In these letters (copies attached) he uses wording drawn from a section of Estacode (Kb2), the first two sentences of which are:

"Discipline is a matter for the Head of the Department and derives from two responsibilities. First is the general responsibility to Parliament, and second is the responsibility of the Accounting Officer to the Public Accounts Committee".

In fact, though discipline is (as you said in your letter of 30 January) a matter for Heads of Department, the discharge of their duties in that as in other respects is within the general responsibility of Ministers to Parliament for the policies and management of their Departments.

In these circumstances Sir Robert hopes that you will agree that it would be more appropriate for you to reply to Dr. Owen.

There is a case for a short terse reply. But Sir Robert favours the fuller version attached because - to use his own words -

"the paragraph in my draft which described what I said to the Select Committee on 5 February about disciplinary proceedings is of course based on the transcript, though it is slightly shortened from what I actually said. I should be reluctant to deal with Dr. Owen in quite such short order as you suggest: apart from anything else, I

should not want to give him the excuse to come back to the Prime Minister later on and say that she has misled him by so drastically abbreviating my answer; and I suppose I feel that, as I gave a slightly thoughtful reply to the Select Committee, it would be preferable not to do much less than that for the leader of an opposition party."

If you want a shorter treatment than in the draft attached, I can provide one.

N.L.W.

NLW

14 February, 1986.

JD3AJH



Ref. A086/504

MR FLESHER

Prime Minister's Questions on 13 February: Westland

I attach some notes for supplementaries on the alleged cancellation of a meeting of E(A) on 13 December. The previous Parliamentary references are the Prime Minister's speech in the Westland debate on 13 January (col 1094); her Oral Answer to Mr Allan Roberts on 4 February; and her Written Answer to a Question from Mr Dalyell on 6 February (col 236).

2. I understand that the Prime Minister has not written to Mr Allan Roberts, further to her Answer of 4 February. You may like to consider whether it would be useful to do so, perhaps in advance of Prime Minister's Questions this afternoon, in the light of the article in today's Guardian (page 5).

3. I have myself issued a minute to Cabinet Office Deputy Secretaries, a copy of which is attached, confirming that no official has been rebuked, reprimanded or disciplined in connection with this matter.

MS

M C STARK

13 February 1986

PQSAAU



COMMITTEE OFFICE
HOUSE OF COMMONS
LONDON SW1A 0AA
01-219 3280/81 (Direct Line)
01-219 3000 (Switchboard)

DEFENCE COMMITTEE

INFORMATION FOR THE PRESS

Westland Inquiry

The Defence Committee have received a letter from Sir Robert Armstrong, accompanying his corrections to the transcript of his evidence given last week. Sir Robert requests that a footnote should be added to his evidence, clarifying his reply to Question 1196. This is perfectly normal practice.

Sir Robert's evidence was given in public and received much media attention. The Committee consider that it would be appropriate for the text of this footnote to be released to the press and public today, rather than in several weeks time when the printed version of the evidence becomes available.

Attached are the original question and answer together with the text of Sir Robert's footnote.

12 February 1986

1196. I see. Going back to that statement again, what the then Secretary of State for Trade and Industry says is that he was giving the authority subject to the agreement of Number 10. When you told us a few moments ago about what happened you used the word "consultation", this statement indicates that his instructions were to obtain the agreement of Number 10. There is a slight difference.

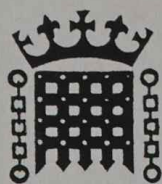
Answer to Q.1196

I do not think he used the words "subject to the agreement of" in the telephone conversation which took place on 6 January which is the relevant telephone conversation. I think he used words which were taken to mean that*, but as far as I can discover he did not use those exact words.

* Note by Witness

That that is what his officials took him to mean is clear from the fact that, as the Prime Minister told the House of Commons on 27 January:

"Officials of the Department of Trade and Industry told the inquiry that they regarded the purpose of their approach to my officials as being to seek agreement to the disclosure as well as to the method. They believed that they had the agreement of my office, and acted in good faith in the knowledge that they had authority from their Secretary of State and cover from my office." (Official Report 27 January 1986, col 655).



COMMITTEE OFFICE
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DEFENCE COMMITTEE

PRESS NOTICE

The Committee have now received extracts of the minute of 4 October 1985 on the subject of Westland plc from the Secretary of State for Trade and Industry to the Prime Minister and of the note, dated 18 October 1985, of the meeting between the Secretary of State for Trade and Industry and Sir John Cuckney on 17 October 1985.

The Chairman of the Committee, Sir Humphrey Atkins, and the Senior Opposition Member, Dr John Gilbert, went to the Department of Trade and Industry and saw the complete documents. They have been able to assure the Committee that the extracts contain all the matters within those documents relevant to the Committee's current inquiry, with the exception of one short passage which the Chairman and the Senior Opposition Member accepted that the DTI had no power to disclose because it was given to them in confidence. The effect of this passage was to illuminate rather than to alter the sense of the extracts now in the Committee's possession.

The Committee will consider these documents at their next meeting.

12 February 1986



COMMITTEE OFFICE
HOUSE OF COMMONS
LONDON SW1A 0AA
01-219 3000 (Switchboard)
01-219 3280/81 (Direct Line)

DEFENCE COMMITTEE

INFORMATION FOR THE PRESS

The Chairman of the Defence Committee, Sir Humphrey Atkins, in company with Dr John Gilbert the senior Opposition Member has seen the full text of the minute of 4 October 1985 on the subject of Westland plc from the Secretary of State for Trade and Industry to the Prime Minister and of the note, dated 18 October 1985, of the meeting between the Secretary of State for Trade and Industry and Sir John Cuckney on 17 October 1985.

Sir Humphrey said today, " each Member of the Committee will make his own assessment, but in my personal opinion any suggestion that the summaries given to the Committee by Sir Brian Hayes were in any way misleading is totally without foundation. In my view the summaries provide an entirely accurate reflection of the contents of both documents".

12 February 1986

COVERING CONFIDENTIAL



Sir Brian Hayes KCB
Permanent Secretary

DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 4438

GTN 215)

(Switchboard) 01-215 7877

*Prime Minister
to note this
exchange.*

12 February 1986

Robert Rogers Esq
Clerk to the Defence Committee
of the House of Commons
Committee Office
House of Commons
LONDON SW1A 0AA

N.L.W.
*cc. Sir Robert Armstrong
Sir Cline Whitmore
Sir Anthony Havel
→ Nigel Wickes
David Morris
Murray Maclean*

[Handwritten signature]

Dear Mr. Rogers,

*PS/SOS
Mr Macdonald
Mr Mitchell
Mr O'Shea
Miss Bone
Mr Russell FRM*

..... Following discussions with the Chairman and Deputy Chairman of the Select Committee on Defence, I am authorised by Ministers to supply to the Committee the enclosed memoranda. These consist of extensive extracts from the then Secretary of State for Trade and Industry's minute of 4 October 1985 to the Prime Minister about Westland PLC, and from a letter sent by Mr Brittan's Private Secretary to Mr Heseltine's Private Secretary on 18 October 1985, reporting a discussion between Mr Brittan and Sir John Cuckney on 17 October 1985.

Two sentences in parenthesis have been omitted from paragraph 13 of the minute of 4 October at the request of Westland PLC. They contain commercial information which the company had given to the Government in confidence and which has in any case been overtaken and modified by subsequent events.

Similarly a passage has been omitted from paragraph 2 of the letter of 18 October; and two sentences have been omitted from paragraph 3 of that letter, also on grounds of commercial confidentiality.

FOXABV



COVERING CONFIDENTIAL

2

Otherwise all the paragraphs reproduced in these memoranda are identical with those of the original documents.

The following passages have been sidelined as confidential:

Minute of 4 October: paragraphs 15-17

Letter of 18 October: paragraph 2

Ministers ask the Committee not to publish these passages on grounds of their diplomatic confidentiality.

I hope the Committee will agree that these memoranda fully bear out the statement I made in my letter of 4 February, when I submitted summaries of these documents: namely, that every attempt had been made to ensure that those summaries were accurate and included all material points.

*Cours sincerely,
Brian Hayes*

BRIAN HAYES

EXTRACTS FROM A MINUTE DATED 4 OCTOBER 1985 FROM MR LEON BRITTAN, THEN SECRETARY OF STATE FOR TRADE AND INDUSTRY, TO THE PRIME MINISTER

BACKGROUND

2 Following the Price Waterhouse review of the company's position, Sir John Cuckney put to my Department and to the Ministry of Defence proposals for a financial reconstruction which he believed was an essential first step in a strategy for the company's future viability. The main features of this package were:

- (i) New capital to be raised for existing shareholders and a new large minority shareholder, possibly Sikorsky or a European company, with whom Westland are in discussion.
- (ii) Westland's banks to convert a substantial portion of overdraft into equity.
- (iii) The Government to underwrite 45 sales of the W30-160 helicopter in order to avoid a crippling write-off of inventory against shareholders' funds for the financial year ending 30 September 1985.



3 Officials have reviewed these proposals and the underlying financial position with Westland's staff and advisers. They have concluded:

- a) The proposed package would indeed provide a reasonable prospect of securing the company's viability in the medium term.
- b) At the other extreme, if no action is taken, receivership is likely to be unavoidable.
- c) It might be possible to construct an adequate package on the same basis as that proposed by the company, but involving a smaller number of W30-160 sales - perhaps only the 21 aircraft for the Indian Oil and Natural Gas Corporation (ONGC). This could only be substantiated, however, by discussion with the company's bankers. Annex A gives a summary of the company's financial position and the impact of a reconstruction package.

4 I do not believe that an underwriting of sales on the scale proposed by Westland would be justified. However I believe there may be a case, for the reasons set out below, for underwriting the sale of 21 helicopters if there remain good prospects of concluding the Indian order. If we decided to adopt this approach, I would envisage asking Westland to negotiate with their banks and potential partners on the assumption of firm sales of 21 W30-160s. I would say that if a reconstruction package could be put together on that basis, and if by the end of November discussions with the Indians were still in the Government's judgement active though unconcluded, the Government would be prepared to consider underwriting the sale of the 21 aircraft. However a final decision would only be made at the time in the light of an up-to-date assessment of the prospects of obtaining the ONGC order.



5 I believe Government participation in a reconstruction package should be conditional on the following assurances from Westland:

- that they would continue to participate in the EH101 programme.
- that the W30-300 programme would continue at least until the MOD's procurement timetable becomes clear in 1986.
- that they would continue to provide spares and support for the existing MOD helicopter fleet.
- that in the event of Government underwriting the company would continue to use its best endeavours to sell the aircraft.

POSSIBLE BENEFITS OF GOVERNMENT UNDERWRITING

6 I would not argue that supporting Westland should be a priority use of resources from a purely industrial point of view. Although Westland is the only UK helicopter manufacturer it is not central to the aerospace industry. Moreover, while other UK companies (notably Rolls Royce) have important business with Westland, my Department is not aware of any which is financially dependent on Westland's continued existence.

7 Nor is there a strong argument that the proposed package will improve the chances of my Department's launch aid being recovered. It would not of itself guarantee continuation of the W30-300 programme (on which £38m of the agreed £41m launch aid has been paid). That would still critically depend, I believe, on an MOD launch order. If the programme were terminated, even after a capital reconstruction, it seems unlikely that much of



the launch aid could be recovered without serious financial damage to the company. The package should secure the continuation of the EH101 programme, but only £5m of the agreed £60m launch aid for this project has so far been paid.

8 I believe the remaining arguments are:

- i) Military: that it is essential to secure support for the existing helicopter fleet and desirable to preserve an indigenous source of design, development and supply. It is of course for Michael Heseltine to advise on the strength of this argument.
- ii) International: that it will be damaging to the UK's relations with India if, after the diplomatic efforts of the last year, Westland cannot now conclude the contract for the ONGC.
- iii) Political: that if the Government does not help it will be blamed for allowing the company to go into receivership.



FOREIGN OWNERSHIP

9 At present the company most likely to be willing to take a large minority shareholding appears to be Sikorsky. No solution involving a British company is on the cards. Westland are in contact with MBB, Aerospatiale and Agusta and I believe they should be encouraged to pursue the possibility of a European solution. The prospects of a European solution being developed within the timescale do not seem to be good, but I should like to get a better assessment of those prospects before responding formally to Westland's proposals. However, if it emerged that a solution involving Sikorsky was the only realistic option I do not believe we should reject the package solely on that ground, provided we obtained the assurances from the company outlined in paragraph 5 above.

FINANCE

10 It is an important feature of the approach I have outlined that the Government would only agree to underwrite W30-160 sales if it assessed the prospects of concluding the Indian order as good - in other words, if the risk of the Government incurring expenditure as a result of the underwriting was acceptable. Nonetheless, I have reluctantly concluded that I could not use any of my Department's agreed PES allocation to meet any expenditure that might result : the industrial argument for giving Westland further assistance do not justify the use of my Department's very scarce and indeed decreasing financial resources.

RECEIVERSHIP

11 If the Government decided not to participate in a package of the sort I have discussed, the company would probably go into receivership. It is by no means certain that such an outcome would be damaging to essential national interests, or more costly to the Government than participation in a reconstruction package.



The difficulty is that receivership would create an uncontrolled situation whose outcome was unpredictable.

12 Much would depend on whether a purchaser could be found for key parts of the business - continuing Lynx and Sea King production, the EH101 programme and the provision of spares and support. If so, the Government's essential procurement interests would be safeguarded. Such an outcome appears possible in view of the interest British Aerospace have expressed in acquiring certain parts of the business in the event of receivership.

13 However there would be potential costs to the Government. The Receiver might demand Government funding of his operations in order to keep the helicopter business going while a purchaser was sought. There would be indirect costs, for example associated with ECGD exposure and redundancies.

And if no purchaser could be found, receivership might result in the UK's participation in the EH101 and production of Lynx and Sea King being ended and the provision of spares and support for the current MOD helicopter fleet being jeopardised.

14 I believe it is a fairly fine judgement whether the risks involved in receivership are worth taking. On balance, I believe it would be preferable to agree to participate in a reconstruction package if the conditions I have outlined were met.



CONFIDENTIAL

MR GANDHI'S VISIT

15 The situation clearly poses difficulties for the discussion of the ONGC order you will wish to have with Mr Gandhi during his visit. On the one hand, we must continue to do everything possible to obtain the contract. On the other hand, you are likely to be constrained in what you can say to Mr Gandhi about the future of the company, and this may make him reluctant to commit himself to the order.

16 Ideally a reconstruction package would be in place before the visit, enabling you to give firm assurances about the future of the company and to press for conclusion of the contract. However I think this is most unlikely to be achieved even if we gave Westland a clear indication of the Government's position early next week; and it could clearly only be achieved with Sikorsky as the minority partner. As I have said, I think it would be preferable to delay giving a definitive response to Westland until their discussions with possible European partners have progressed further.

17 You will therefore need careful briefing for a variety of difficult situations, which I suggest officials should put in hand. You will need to say that Westland is under new management who are considering plans for strengthening the company financially. If Mr Gandhi says he intends to purchase, you could say that the Government hopes the company's plans will be successfully implemented, and that the order will be a significant help to the company. If Mr Gandhi should press for an assurance on viability you might say that it was not for the Government to comment but note that the company has a solid base of MOD business and that we are confident in the ability of the new Chairman.

CONFIDENTIAL

CONCLUSION

19 I recommend that our initial response to Westland should be to urge them to pursue discussions with possible European partners urgently. We should decide in the light of those discussions whether to indicate to Westland, on the lines set out in paragraphs 4 and 5 of this minute, the Government's possible willingness to participate in a reconstruction package. It will, in any event, be desirable to indicate our position to the company reasonably promptly - and certainly well in advance of the November deadline - both so that the company knows where it stands and to ensure that no question arises of a breach of Companies Act obligations.

EXTRACTS FROM A LETTER DATED 18 OCTOBER 1985 FROM MR BRITTAN'S
PRIVATE SECRETARY TO MR HESELTINE'S PRIVATE SECRETARY

CONFIDENTIAL

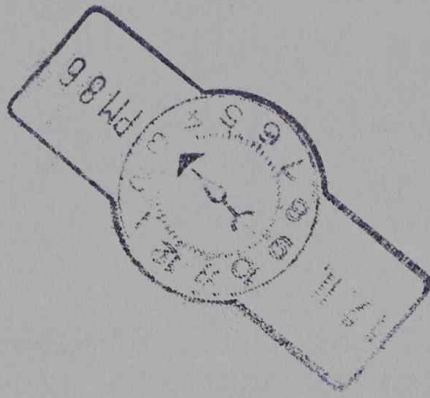
2 Mr Brittan told Sir John that, although Mr Gandhi had not given a categorical assurance that the order for 21 W30s would go ahead, Ministers' collective view was that it would.

3 Sir John also asked whether the Government would consider underwriting the Indian order. Mr Brittan replied that he was not now authorized to make any underwriting offer. Sir John also asked whether the Ministry of Defence would now pay Westland the £6m which they owed the company. Mr Brittan replied that that was a matter for MoD: however, he did undertake to pass on to Mr

Heseltine Sir John's concern.

4 Sir John said that he was well aware of the Government's preference for a European minority shareholder in Westland, and attached weight to that preference. He had now held talks with MBB, Aerospeciale and Agusta, invited them all to participate, and made it clear that Westland would consider any reasonable proposition. The interest of all three companies was totally negative: they were only interested in blocking Sikorsky. All three were also Government owned, loss-making, and suffering from excess capacity. Agusta appeared to be the most positive of the three, and had expressed interest in the possibility of coming in with United Technologies - i.e taking some part of a 29.9 per cent shareholding with them. But progress was slow and Agusta had yet to come forward with any definite proposals. To persuade the banks to convert debt into equity, it would be necessary to produce as positive and forward looking a prospectus as possible; and to bring about a deal in time, Westland needed a relatively quick decision. On both these counts, a deal with Sikorsky looked the best option, if not the only one.

5 The Secretary of State noted what Sir John said. He said that a European minority shareholder was in both the commercial and political interests of the Government. The Government therefore wished to be certain that a deal with Sikorsky was the best, or the only, option. The idea of Agusta coming in with Sikorsky was attractive, and he would be grateful if this could be pursued further. Sir John replied that he believed that he had fully discharged his responsibility to pursue the possibility of a European minority shareholder. He could not press the European companies further without importuning. In view of what Mr Brittan said, however, he would contact Agusta once more as a matter of urgency. But he believed that the only practicable solution in the end would be a deal with Sikorsky.





SUPPLEMENTARIES FOR USE IN ANSWER TO PARLIAMENTARY QUESTIONS
ON 12 FEBRUARY 1986

Have you released the full text of the documents of 4 and 18 October?

Following discussions with the Chairman and Deputy Chairman of the Defence Committee, memoranda have been supplied to the Committee today which reproduce all the material paragraphs of those two documents, subject only to minor omissions on grounds of commercial confidentiality.

Does this mean that the published summaries of the documents were inaccurate?

Certainly not. The memoranda supplied today show very clearly that the summaries were accurate and included all material points.

Why was the Government so reluctant to provide the full texts?

It is contrary to the conventions observed by successive Governments to supply confidential interdepartmental correspondence of this kind to Select Committees. In the exceptional circumstances of the present case, however, the Government has decided to make extensive extracts available.

Why has the Government caved in now?

The Select Committee attached great importance to seeing these documents, in view of the charge that had been made that the summaries provided earlier created a different impression from that of the original documents. The Government has listened and responded to the views of the Select Committee.

1786
1986
BOARD OF TRADE
BICENTENARY



Will the memoranda submitted today be published?

That is up to the Select Committee. The Government has asked the Select Committee on Defence to treat certain passages as confidential.

[NB: CONFIDENTIAL This is on diplomatic grounds since they touch on UK/India relations; but we should not say so.]

1 Mr Paynell } I do not take
2 Mr Fisher } this too
seriously. NLW Q. Williams

DR JOHN GILBERT - INTERVIEW ON WESTLANDS DOCUMENTS 12-2

Transcript from: BBC Radio 4, Today, 12 February 1986

INTERVIEWER: (John Timpson) ... Dr Gilbert, it's widely reported this morning that at least 2 members of the committee have already seen these documents and that they say that they bear out what the summaries said. What's your comment on that?

GILBERT: Well I didn't know it had been widely reported but I have seen them and I think that's a fair statement. The difference between the summaries and the actual texts of the documents that I've seen is very very small.

INTERVIEWER: Well what do you think Mr Heseltine was getting at then?

GILBERT: Well I don't know, no doubt Mr Heseltine will be examined on precisely these points when he comes before us again. He's due to come and complete his main evidence next week and I'm sure questions will be put to him. And now committee members will have both the summaries and the documents in front of them.

INTERVIEWER: So does this clear up any remaining worries you have about Westlands?

X GILBERT: Oh good heavens no. There's a lot more evidence to be taken. We have a pile of transcripts I should think nearly a foot high now. Our clerk is taking a week off and we're taking a week off just from being at Westminster, he is. I'm not saying he's not working, he's working very hard. And he's preparing a summary for us of all the evidence we've taken, going through all the transcripts, looking at the questions that have not been answered - the questions that have not been asked - discrepancies in the evidence, gaps in it, inconsistencies, contradictions and we've a lot more work to do.

INTERVIEWER: Are you still insisting on the presence of these 5 civil servants as witnesses for the committee?

GILBERT: Well the committee's position is that their request for those

named civil servants still stands. At the end of the day we will see whether we still consider that we need them when we've studied the transcripts. And the committee expects to take a decision about that or about future witnesses next Monday.

INTERVIEWER: Is your main worry that there have still been some strange hanky panky going on in the background or is your main criticism that the Government has been covering up for no reason, that there's nothing particular to cover up?

GILBERT: Well, with respect to these documents I must say I can't see what all the fuss is about. I don't think the general public will. I think people are going to be astounded that the Government has put up this tremendous fight against letting the committee have the documents. May I say that I think the release of the documents by the Government is an eventual triumph for common sense. It's a great victory for the committee but not just for this committee, for all committees, not only with respect to this Government but to all future Governments. It's set a very healthy precedent, the committees get the documents they need to do the job that they were elected to do, and that is very important.

INTERVIEWER: Of course it's reported through Westminster that the reason they were reluctant to do so was that the documents contained sensitive commercial information?

GILBERT: That is quite correct. There is one small passage that does contain commercially sensitive information and that will only be released to the committee if the Westland board give their consent. And I know the committee has agreed that that information would never be made public and the committee has a perfect record, a 100% record, of never releasing into the public domain, as we put it, sensitive information. We as a committee are used to handling top secret secret information week in week out, highly classified in national security terms and we've never leaked.

INTERVIEWER: Well now you've mentioned the amount of work that's been done already and the amount of work that will be needed to sift through that: with the further evidence that you still require how long is this going to go Dr Gilbert?

GILBERT: Well that's anybody's guess and it'll be for colleagues to decide. If you ask me just my guess I would think that after we start evidence taking again next week it'll probably take at least 2 full weeks of evidence taking. I mean there are some people that may come in front of the committee, I emphasize may, that we've not seen before like Mr Bristow. There are people who the committee may well want to re-examine like Sir John Cuckney or the British Aerospace people and some of these witnesses may wish to come in front of us. We may wish to re-examine Sir Robert Armstrong and the committee, as I say, still has a request in for the 5 named officials.

INTERVIEWER: You don't feel that some critics might say that you're making an enormous meal out of this?

GILBERT: Well the job has to be done. I'm afraid it is a meal but I mean who would have foreseen when the thing started the series of explosive developments that have taken place week by week, day by day and there are more today. And our job is to get to the bottom of it and report to Parliament. And Parliament voted by a majority of 150 +that we should do the job and that's what we're trying to do.

INTERVIEWER: More revelations to come do you think?

GILBERT: I don't think there'll be any major ones but you could never say in this extraordinary saga. -----

MR. WICKS

WESTLAND: LORD TREFGARNE

It is clear that he spoke as reported on the PA tape attached.

MOD and DTI are writing proposing a line to the effect:

"If, when the beneficial ownership of the shares in Westland is revealed, it appears that the provisions of the Fair Trading Act or the Industry Act might be relevant, the government will take appropriate action."

Tim and I think that a more general line would be better:

"Of course the government will ensure that appropriate legislation is complied with. There is no reason at present to think that it has not been."

CDP

12 February, 1986.

NI0394 4 FFF 12

PA SNAPPULL

1 CITY 1PM INDEX

THE FT INDEX AT 1PM WAS UP 13.2.

END MH

121321 FEB 86

*phoned to
party.*

NI0395 3 HHH 31

URGENT - WESTLAND

MOTION TO ADJOURN WESTLAND SHAREHOLDERS' MEETING FOR 21 DAYS WAS
REJECTED BY 67.8 PER CENT OF VOTES CAST AT THE MEETING.

..
121325 FEB 86

CONFIDENTIAL

Mr Wicks



RJ (Handwritten initials)

70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

From the Secretary of the Cabinet and Head of the Home Civil Service
Sir Robert Armstrong GCB CVO

Ref. A086/483

12 February 1986

Dear Sir Brian,

Thank you for your letter of 12 February about the release of the documents of 4 and 18 October 1985 to the Select Committee on Defence.

I understand that it has been agreed that paragraphs 15-17 of the minute of 4 October and paragraph 2 of the letter of 18 October should be sidelined, and the Committee should be asked not to publish these passages on the ground of diplomatic sensitivity.

Subject to that, I am content that you should send the documents to the Clerk of the Committee, with a suitably amended version of your covering letter.

I am content with the proposed answers for supplementaries enclosed with your letter. I understand that you propose a fifth answer, which would make it clear that the decision whether to publish the documents is for the Committee to make, but that the Government have asked them not to publish certain passages which are marked confidential.

I am sending copies of this letter to Clive Whitmore, Antony Acland, Nigel Wicks, David Morris and Murdo MacLean.

Yours ever

Michael Stan

for Sir Robert Armstrong

Sir Brian Hayes KCB

CONFIDENTIAL

MYSTERY SHAREHOLDERS: QUESTIONS RAISED

THE GOVERNMENT WILL CONSIDER WHAT ACTION TO TAKE OVER THE FUTURE OF THE WESTLAND HELICOPTER FIRM ONCE THE IDENTITY OF THE SIX MYSTERY SHAREHOLDERS IS DISCLOSED, DEFENCE MINISTER LORD TREFGARNE ANNOUNCED TODAY.

HE TOLD PEERS IN REPLY TO AN EMERGENCY QUESTION FROM SOCIAL DEMOCRAT LORD KENNET: "ONCE THE IDENTITY OF THESE PERSONS IS KNOWN, THE GOVERNMENT WILL CONSIDER WHAT FURTHER STEPS NEED TO BE TAKEN AND VARIOUS POWERS EXIST FOR THAT PURPOSE.

"IN ADDITION TO THE POWERS AVAILABLE TO THE GOVERNMENT UNDER THE COMPANIES ACT, THE COMPANY ARE REQUIRED TO DISCLOSE OWNERSHIP OF THE SHARES AND I UNDERSTAND SIR JOHN CUCKNEY HAS TODAY SAID SUCH ACTION IS IN HAND," ADDED LORD TREFGARNE.

LORD TREFGARNE SAID IT WAS OF THE FIRST IMPORTANCE TO ENSURE OUR ARMED FORCES RECEIVED THE EQUIPMENT THEY REQUIRED, ON TIME TO THE RIGHT SPECIFICATION AND AT THE RIGHT PRICE.

"FURTHERMORE WE NEED TO ENSURE SECURITY OF SUPPLY AND CLEARLY OWNERSHIP HAS A BEARING ON THIS.

"I CAN ASSURE YOU THAT THE GOVERNMENT WILL CONSIDER THE IMPLICATIONS OF ANY MATERIAL CHANGE OF OWNERSHIP IN DEFENCE INDUSTRIES AND HAS POWERS TO TAKE ACTION WHERE THIS IS APPROPRIATE."

LORD KENNET ASKED THE MINISTER: "IN THE LIGHT OF YESTERDAY'S STOCK EXCHANGE DISCLOSURE ABOUT SHARE OWNERSHIP IN WESTLAND WHAT STEPS ARE THE GOVERNMENT TAKING TO PREVENT OUR DEFENCE INDUSTRIES FALLING INTO UNKNOWN HANDS?"

LORD KENNET QUERIED WHETHER THE SWISS BANK ACCOUNTS CONCEALED DEPOSED HAITIAN DICTATOR DUVALIER, LIBYA'S COLONEL GADDAFI, PRESIDENT MARCOS OF THE PHILIPPINES OR THE MOSCOW NARODNY BANK.

LABOUR'S LORD PAGET SAID IT WOULD BE "OUTRAGEOUS" IF THE FIRM WAS HANDED OVER TO NUMBERED SWISS BANK ACCOUNTS.

MEANWHILE IN THE COMMONS, INFORMATION TECHNOLOGY MINISTER GEOFFREY PATTIE REJECTED OPPOSITION PROTESTS OVER THE ANONYMITY OF INVESTORS WHO HAVE ACQUIRED A 20.3 PER CENT STAKE IN WESTLAND.

8/2

CONFIDENTIAL



Sir Brian Hayes KCB
Permanent Secretary

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 4438
GTN 215
(Switchboard) 01-215 7877

12 February 1986

Sir Robert Armstrong GCB CVO
Cabinet Office
70 Whitehall
LONDON SW1

*RU Flashed
See supplementary
at end.
N.C.U.
12.2*

Dear Robert

THE SELECT COMMITTEE ON DEFENCE

I enclose copies of:

- i. the letter I propose to send this morning to the Clerk to the Defence Committee;
- ii. the memoranda I propose to enclose with that letter;
- iii. draft supplementary questions for use by Mr Pattie in the House this afternoon.

I should be grateful for any comments which you or others may have, by noon today.

I am sending copies to Clive Whitmore, Antony Acland, Nigel Wicks, David Morris and Murdo Maclean.

*Cours ever,
Brian*

BRIAN HAYES

FOXABX



Sir Brian Hayes KCB
Permanent Secretary

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215)

GTN 215)
(Switchboard) 01-215 7877 438

12 February 1986

Robert Rogers Esq
Clerk to the Defence Committee
of the House of Commons
Committee Office
House of Commons
LONDON SW1A 0AA

Have letter

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..... Ministers to supply to the Committee the enclosed memoranda. These consist of extensive extracts from the then Secretary of State for Trade and Industry's minute of 4 October 1985 to the Prime Minister about Westland PLC, and from a letter sent by Mr Brittan's Private Secretary to Mr Heseltine's Private Secretary on 18 October 1985, reporting a discussion between Mr Brittan and Sir John Cuckney on 17 October 1985.

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one then
Similarly ^{in passage} ~~one sentence~~ has been omitted from paragraph 2 of the letter of 18 October; and two sentences have been omitted from paragraph 3 of that letter, also on grounds of commercial confidentiality.

Also some reference to sidelining of duplicate passages

FOXABV

17 86
19
BOARD OF TRADE
BICENTENARY



Otherwise all the paragraphs reproduced in these memoranda are identical with those of the original documents.

I hope the Committee will agree that these memoranda fully bear out the statement I made in my letter of 4 February, when I submitted summaries of these documents: namely, that every attempt had been made to ensure that those summaries were accurate and included all material points.

BRIAN HAYES

EXTRACTS FROM A MINUTE DATED 4 OCTOBER 1985 FROM MR LEON BRITTAN, THEN SECRETARY OF STATE FOR TRADE AND INDUSTRY, TO THE PRIME MINISTER

BACKGROUND

2 Following the Price Waterhouse review of the company's position, Sir John Cuckney put to my Department and to the Ministry of Defence proposals for a financial reconstruction which he believed was an essential first step in a strategy for the company's future viability. The main features of this package were:

- (i) New capital to be raised for existing shareholders and a new large minority shareholder, possibly Sikorsky or a European company, with whom Westland are in discussion.
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- b) At the other extreme, if no action is taken, receivership is likely to be unavoidable.
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- that the W30-300 programme would continue at least until the MOD's procurement timetable becomes clear in 1986.
- that they would continue to provide spares and support for the existing MOD helicopter fleet.
- that in the event of Government underwriting the company would continue to use its best endeavours to sell the aircraft.

POSSIBLE BENEFITS OF GOVERNMENT UNDERWRITING

6 I would not argue that supporting Westland should be a priority use of resources from a purely industrial point of view. Although Westland is the only UK helicopter manufacturer it is not central to the aerospace industry. Moreover, while other UK companies (notably Rolls Royce) have important business with Westland, my Department is not aware of any which is financially dependent on Westland's continued existence.

7 Nor is there a strong argument that the proposed package will improve the chances of my Department's launch aid being recovered. It would not of itself guarantee continuation of the W30-300 programme (on which £38m of the agreed £41m launch aid has been paid). That would still critically depend, I believe, on an MOD launch order. If the programme were terminated, even after a capital reconstruction, it seems unlikely that much of



the launch aid could be recovered without serious financial damage to the company. The package should secure the continuation of the EH101 programme, but only £5m of the agreed £60m launch aid for this project has so far been paid.

8 I believe the remaining arguments are:

- i) Military: that it is essential to secure support for the existing helicopter fleet and desirable to preserve an indigenous source of design, development and supply. It is of course for Michael Heseltine to advise on the strength of this argument.
- ii) International: that it will be damaging to the UK's relations with India if, after the diplomatic efforts of the last year, Westland cannot now conclude the contract for the ONGC.
- iii) Political: that if the Government does not help it will be blamed for allowing the company to go into receivership.



FOREIGN OWNERSHIP

9 At present the company most likely to be willing to take a large minority shareholding appears to be Sikorsky. No solution involving a British company is on the cards. Westland are in contact with MEB, Aerospatiale and Agusta and I believe they should be encouraged to pursue the possibility of a European solution. The prospects of a European solution being developed within the timescale do not seem to be good, but I should like to get a better assessment of those prospects before responding formally to Westland's proposals. However, if it emerged that a solution involving Sikorsky was the only realistic option I do not believe we should reject the package solely on that ground, provided we obtained the assurances from the company outlined in paragraph 5 above.

FINANCE

10 It is an important feature of the approach I have outlined that the Government would only agree to underwrite W30-160 sales if it assessed the prospects of concluding the Indian order as good - in other words, if the risk of the Government incurring expenditure as a result of the underwriting was acceptable. Nonetheless, I have reluctantly concluded that I could not use any of my Department's agreed PES allocation to meet any expenditure that might result : the industrial argument for giving Westland further assistance do not justify the use of my Department's very scarce and indeed decreasing financial resources.

RECEIVERSHIP

11 If the Government decided not to participate in a package of the sort I have discussed, the company would probably go into receivership. It is by no means certain that such an outcome would be damaging to essential national interests, or more costly to the Government than participation in a reconstruction package.



The difficulty is that receivership would create an uncontrolled situation whose outcome was unpredictable.

12 Much would depend on whether a purchaser could be found for key parts of the business - continuing Lynx and Sea King production, the EH101 programme and the provision of spares and support. If so, the Government's essential procurement interests would be safeguarded. Such an outcome appears possible in view of the interest British Aerospace have expressed in acquiring certain parts of the business in the event of receivership.

13 However there would be potential costs to the Government. The Receiver might demand Government funding of his operations in order to keep the helicopter business going while a purchaser was sought. There would be indirect costs, for example associated with ECGD exposure and redundancies.

And if no purchaser could be found, receivership might result in the UK's participation in the EH101 and production of Lynx and Sea King being ended and the provision of spares and support for the current MOD helicopter fleet being jeopardised.

14 I believe it is a fairly fine judgement whether the risks involved in receivership are worth taking. On balance, I believe it would be preferable to agree to participate in a reconstruction package if the conditions I have outlined were met.



MR GANDHI'S VISIT

15 The situation clearly poses difficulties for the discussion of the ONGC order you will wish to have with Mr Gandhi during his visit. On the one hand, we must continue to do everything possible to obtain the contract. On the other hand, you are likely to be constrained in what you can say to Mr Gandhi about the future of the company, and this may make him reluctant to commit himself to the order.

16 Ideally a reconstruction package would be in place before the visit, enabling you to give firm assurances about the future of the company and to press for conclusion of the contract. However I think this is most unlikely to be achieved even if we gave Westland a clear indication of the Government's position early next week; and it could clearly only be achieved with Sikorsky as the minority partner. As I have said, I think it would be preferable to delay giving a definitive response to Westland until their discussions with possible European partners have progressed further.

17 You will therefore need careful briefing for a variety of difficult situations, which I suggest officials should put in hand. You will need to say that Westland is under new management who are considering plans for strengthening the company financially. If Mr Gandhi says he intends to purchase, you could say that the Government hopes the company's plans will be successfully implemented, and that the order will be a significant help to the company. If Mr Gandhi should press for an assurance on viability you might say that it was not for the Government to comment but note that the company has a solid base of MOD business and that we are confident in the ability of the new Chairman.

CONCLUSION

19 I recommend that our initial response to Westland should be to urge them to pursue discussions with possible European partners urgently. We should decide in the light of those discussions whether to indicate to Westland, on the lines set out in paragraphs 4 and 5 of this minute, the Government's possible willingness to participate in a reconstruction package. It will, in any event, be desirable to indicate our position to the company reasonably promptly - and certainly well in advance of the November deadline - both so that the company knows where it stands and to ensure that no question arises of a breach of Companies Act obligations.

EXTRACTS FROM A LETTER DATED 18 OCTOBER 1985 FROM MR BRITTAN'S
PRIVATE SECRETARY TO MR HESELTINE'S PRIVATE SECRETARY

2 Mr Brittan told Sir John that, although Mr Gandhi had not given a categorical assurance that the order for 21 W30s would go ahead, Ministers' collective view was that it would.

3 Sir John also asked whether the Government would consider underwriting the Indian order. Mr Brittan replied that he was not now authorized to make any underwriting offer. Sir John also asked whether the Ministry of Defence would now pay Westland the £6m which they owed the company. Mr Brittan replied that that was a matter for MoD: however, he did undertake to pass on to Mr

Heseltine Sir John's concern.

4 Sir John said that he was well aware of the Government's preference for a European minority shareholder in Westland, and attached weight to that preference. He had now held talks with MBB, Aerospeciale and Agusta, invited them all to participate, and made it clear that Westland would consider any reasonable proposition. The interest of all three companies was totally negative: they were only interested in blocking Sikorsky. All three were also Government owned, loss-making, and suffering from excess capacity. Agusta appeared to be the most positive of the three, and had expressed interest in the possibility of coming in with United Technologies - i.e taking some part of a 29.9 per cent shareholding with them. But progress was slow and Agusta had yet to come forward with any definite proposals. To persuade the banks to convert debt into equity, it would be necessary to produce as positive and forward looking a prospectus as possible; and to bring about a deal in time, Westland needed a relatively quick decision. On both these counts, a deal with Sikorsky looked the best option, if not the only one.

5 The Secretary of State noted what Sir John said. He said that a European minority shareholder was in both the commercial and political interests of the Government. The Government therefore wished to be certain that a deal with Sikorsky was the best, or the only, option. The idea of Agusta coming in with Sikorsky was attractive, and he would be grateful if this could be pursued further. Sir John replied that he believed that he had fully discharged his responsibility to pursue the possibility of a European minority shareholder. He could not press the European companies further without importuning. In view of what Mr Brittan said, however, he would contact Agusta once more as a matter of urgency. But he believed that the only practicable solution in the end would be a deal with Sikorsky.



SUPPLEMENTARIES FOR USE IN ANSWER TO PARLIAMENTARY QUESTIONS
ON 12 FEBRUARY 1986

Have you released the full text of the documents of 4 and 18 October?

Following discussions with the Chairman and Deputy Chairman of the Defence Committee, memoranda have been supplied to the Committee today which reproduce all the material paragraphs of those two documents, subject only to minor omissions on grounds of commercial confidentiality.

Does this mean that the published summaries of the documents were inaccurate?

Certainly not. The memoranda supplied today show very clearly that the summaries were accurate and included all material points.

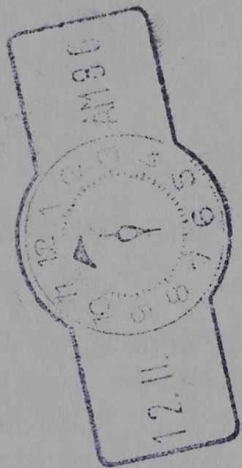
Why was the Government so reluctant to provide the full texts?

It is contrary to the conventions observed by successive Governments to supply confidential interdepartmental correspondence of this kind to Select Committees. In the exceptional circumstances of the present case, however, the Government has decided to make extensive extracts available.

Why has the Government caved in now?

The Select Committee attached great importance to seeing these documents, in view of the charge that had been made that the summaries provided earlier created a different impression from that of the original documents. The Government has listened and responded to the views of the Select Committee.

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COMMITTEE OFFICE
HOUSE OF COMMONS
LONDON SW1A 0AA
01-219 3000 Switchboard

01-219 3280/81 Direct Line

DEFENCE COMMITTEE

Al Duty clerk
Alcey M Street
N.L.W. 122
DC 31 35/86
✓

DC 31
of Session 1985-86

The Committee have received the attached letter from Sir Robert Armstrong, accompanying his corrections to the transcript of his evidence given last week. Sir Robert requests that a footnote should be added to his evidence, clarifying his reply to Question 1196. This would be perfectly normal practice.

As Sir Robert's evidence was given in public and received much media attention, the Chairman considers that it would be appropriate for the text of this footnote to be released to the press and public today, rather than in several weeks time when the printed version of the evidence becomes available.

The Chairman therefore proposes that, unless any Member raises an objection with the Committee staff before 4 pm today, the text of the footnote, together with the original question and answer, should then be made publicly available.

ROBIN JAMES
Assistant Clerk to the Committee

12 February 1986



*By Lowell
As agreed with
PM.
NW
12/2*

70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A086/480

12 February 1986

Dear Mr Rogers,

--- I return herewith the transcript of the evidence which I gave to the Defence Committee on 5 February.

The transcript has been seen by the officials whom I interviewed in the course of my inquiry and they do not wish to comment on any matters contained in it.

As you will see, I have made a number of corrections of inaccuracies in the printing or reporting of the evidence and certain other corrections which clarify the record without altering the sense. There was one answer (the answer to Q.1196) which, as I read through the transcript, did not seem to make entirely clear what I intended to convey, and I have therefore submitted a footnote to make the meaning clear.

--- I attach a copy of the answer and the footnote herewith.

*Yours sincerely
Robert Armstrong*

Robert Rogers Esq
Clerk of the Select Committee on Defence
House of Commons

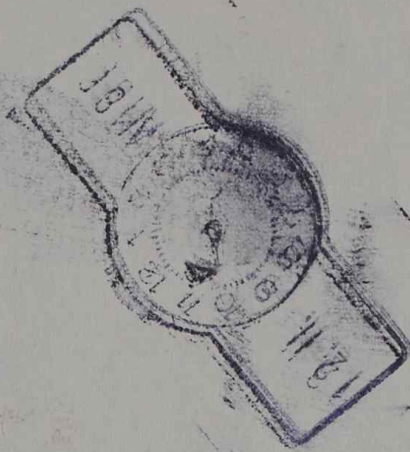
Answer to Q.1196

I do not think he used the words "subject to the agreement of" in the telephone conversation which took place on 6 January which is the relevant telephone conversation. I think he used words which were taken to mean that*, but as far as I can discover he did not use those exact words.

* Note by Witness

That that is what his officials took him to mean is clear from the fact that, as the Prime Minister told the House of Commons on 27 January:

"Officials of the Department of Trade and Industry told the inquiry that they regarded the purpose of their approach to my officials as being to seek agreement to the disclosure as well as to the method. They believed that they had the agreement of my office, and acted in good faith in the knowledge that they had authority from their Secretary of State and cover from my office." (Official Report 27 January 1986, col 655).



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*As Powell,
This is what
was agreed by the*

70 WHITEHALL, LONDON SW1A 2AS *PM.*

01-233 8319

NW

From the Secretary of the Cabinet and Head of the Home Civil Service

12-2

Sir Robert Armstrong GCB CVO

Ref. A086/476

11 February 1986

Dear Sir Brian

Meeting with Sir Humphrey Atkins and Dr Gilbert

I understand that the Chief Whip discussed this matter further with Sir Humphrey Atkins this afternoon. They agreed that you should give Sir Humphrey the extracts from the two documents specified in the second paragraph of your letter of 10 February, less any further parts which Westland might object to the committees being shown. Those extracts could be provided without any proviso.

I suggest that you should make sure that your Secretary of State is content that you should proceed on this basis.

The Chief Whip also told Sir Humphrey Atkins that we should use our best endeavours to get the extracts to him by lunchtime tomorrow (12 February).

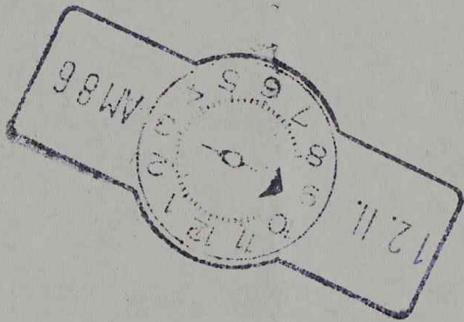
When I mentioned this to you on the telephone, you told me that you might not be able to meet this deadline, because you were waiting for clearance from Westland, and it may be that, because of their preoccupation with tomorrow's EGM, the Board of Westland might be unable to clear the matter by lunchtime tomorrow. You would, however, hope to have the necessary clearance and to send the extracts over to Sir Humphrey during the course of Thursday 13 February.

I am sending copies of this letter to Nigel Wicks and Murdo MacLean.

*Yours sincerely
Michael Sturt
for Sir Robert Armstrong*

Sir Brian Hayes KCB

CONFIDENTIAL





Copy sent by
AN. She contact

70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

Now
11.2

From the Secretary of the Cabinet and Head of the Home Civil Service
Sir Robert Armstrong GCB CVO

Ref. A086/472

CHIEF WHIP

It was agreed at the Prime Minister's meeting this morning that you would talk to Sir Humphrey Atkins about the footnote which I propose to submit in respect of my answer to Q.1196 in the evidence which I gave to the Defence Select Committee on 5 February.

2. You were also going to see Mr Brittan, to explain what we were proposing to do and to make it clear that he should not expect a letter from me.

3. I attach:-

--- 1. A copy of my answer to Q.1196 and the proposed footnote to it.

--- 2. The letter which I would propose to send to the Clerk of the Defence Committee when I return the transcript of my evidence.

4. I am sending copies of this to the Prime Minister, the Lord President and the Chancellor of the Duchy of Lancaster.

11 February 1986

SECAAV

MS
for Sir Robert Armstrong

DRAFT LETTER FROM SIR ROBERT ARMSTRONG TO

Robert Rogers Esq
Clerk of the Select Committee on Defence
House of Commons

I return herewith the transcript of the evidence which I gave to the Defence Committee on 5 February.

The transcript has been seen by the officials in the Department of Trade and Industry and 10 Downing Street whom I interviewed in the course of my inquiry. They are content with it, and do not wish to comment on any matters contained in it.

As you will see, I have made a number of corrections of inaccuracies in the printing or reporting of the evidence and certain other corrections which clarify the record without altering the sense. There was one answer (the answer to Q.1196) which, as I read through the transcript, did not seem to make entirely clear what I intended to convey, and I have therefore submitted a footnote to make the meaning clear.

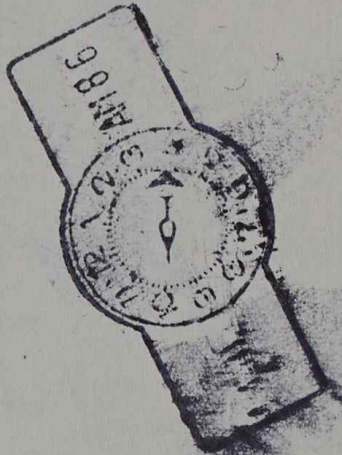
Answer to Q.1196

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* Note by Witness

That that is what his officials took him to mean is clear from the fact that, as the Prime Minister told the House of Commons on 27 January:

"Officials of the Department of Trade and Industry told the inquiry that they regarded the purpose of their approach to my officials as being to seek agreement to the disclosure as well as to the method. They believed that they had the agreement of my office, and acted in good faith in the knowledge that they had authority from their Secretary of State and cover from my office." (Official Report 27 January 1986, col 655).



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10 DOWNING STREET

From the Principal Private Secretary

pa a
weekend
file

Notes to Record

Leon Brittan telephoned me this morning to say that he was writing to Sir Robert Armstrong to invite him to supplement his evidence to the Defence Select C+tee. L B said that his reading of the transcript of evidence over the weekend suggested that Sir Robert had given a flagrant steer which pointed in a particular direction which he could not accept. It did not make clear that he gave clear instructions to his appraisals about

clearance with No 10 and that DTI
officials believed that they had clearly
implemented his instructions. If Sir Robert
could not supplement his evidence,
he, L B, would have to put the record
straight with the Cttee. He did not
have the option to leave the position as it is.

I reported this to Sir Robert
who agreed to see L B urgently (pressed for 11.30am)
provisionally before he wrote his letter. I told L B.

I also reported to C.W.,
L P and P N. C W suggested Sir Robert might
send a letter to the Cttee which would sound
in effect, having read the transcript and my
answers, I am satisfied eventually but
I told the Cttee was factually
correct. My statement does have to be



10 DOWNING STREET

From the Principal Private Secretary

considered ~~opportunities~~ ^{with} the PNs 2 statements
which, of course, have "printing" (not use
this word). I told Robert. Following
consultation with L.P. and C.W. and P.N., I
told Robert that if he ran into
difficulty, we might need to consider only
S.G.H. & S.P.H. & L.B.

N.C.W.

Feb 10.



Sir Brian Hayes KCB
Permanent Secretary

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DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215
GTN 215) ...3972...
(Switchboard) 01-215 7877

10 February 1986

Sir Robert Armstrong GCB CVO
Cabinet Office
70 Whitehall
LONDON SW1

*Prime Minister*²

*RTA and Chief Whip will
submit advice tomorrow. I am
very read concluded they should
be given both documents and
taken at their word at X
over.*

Dear Robert,

MEETING WITH SIR HUMPHREY ATKINS AND DR GILBERT

*N.L.W.
10.2*

Together with Mr Macdonald and Mr O'Shea, I met Sir Humphrey Atkins and Dr Gilbert this evening to discuss how much additional information they should be able to put to the Select Committee on Defence in relation to Mr Brittan's minute of 4 October and Mr Hosker's letter of 18 October about Westland PLC.

We will circulate a full note of the discussion. The outcome was that Sir Humphrey and Dr Gilbert identified those parts of the two documents they wished to be able to show to the Defence Committee, namely:

4 October minute: paragraphs 2-17 and 19. They recognised the commercial sensitivity of the passage in brackets in paragraph 13 and asked me to ask Westland if they objected to the Committee's being shown it on a confidential basis. If Westland did so object, they would not insist.

18 October letter: the first sentence of paragraph 2; paragraph 3, with the exception of the last two sentences; paragraphs 4 and 5.

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Sir Humphrey argued that making this selection available would not breach the principle that the Government did not hand over such documents to Select Committees. I enquired about the basis on which they would show these extracts, if we agreed to hand them over, to the Committee. Sir Humphrey said that once documents were in the hands of a Select Committee it was for the Committee to decide whether or not to publish them. This was the constitutional position and he could not abrogate it. He could not therefore agree that a decision to publish should be subject to Ministerial veto. As was usual in such cases, however, the Committee would consult with the Government on what should be published: in his experience and that of Dr Gilbert, the Select Committee on Defence had never published anything which, after discussion and argument, Ministers had not accepted, however reluctantly, should be published.

I said that regretfully I could not release the extracts on that basis, which did not accord with what I had understood to be the basis agreed. I had supposed that Ministers, not the Committee, would have the right to decide what should or should not be published from any extracts handed over to Sir Humphrey and Dr Gilbert. I said I would consult further and we parted amicably, with my promising to let Sir Humphrey know as soon as possible whether Ministers were prepared to authorise me to hand over the extracts which he and Dr Gilbert had identified, on the basis he had proposed. Meanwhile they have taken none of this material.

We now need a Ministerial decision on this point. As you know my own feeling is that we should do what Sir Humphrey and Dr Gilbert have requested, and I shall so advise my Secretary of State. I recognise, however, that other Ministers, and the Government collectively, have an interest in the principle at stake .

I am sending copies of this letter to Clive Whitmore, Antony Acland, Nigel Wicks, David Morris and Murdo Maclean.

Yours ever
Brian

BRIAN HAYES

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PS:

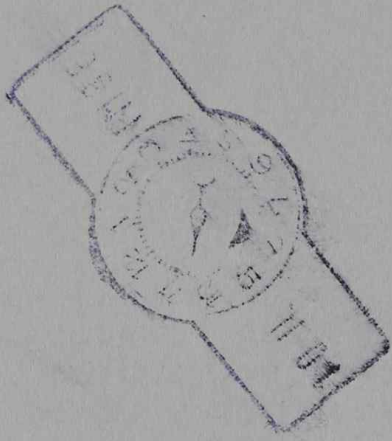
Following our conversation I have told Sir Humphrey that we cannot give him a reply until Ministers have been consulted. He told me that the Committee would meet tomorrow morning for a deliberative session, without witnesses. They would be considering whether they needed additional evidence. In any statement to the Press they would say, in relation to the two documents, that their request to have them remained on the table. He would be grateful if I could give him a substantive reply by Thursday of this week. I said we would do our best. He added that if you wished to speak to him about the Committee's position he was at your service.

BA.

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File

JA

10 DOWNING STREET

From the Private Secretary

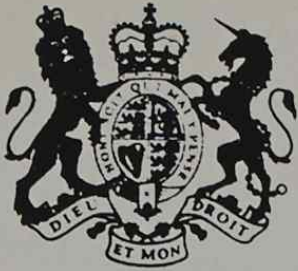
10 February 1986

I write on behalf of the Prime Minister to thank you for your telex of 7 February conveying the text of a statement which you made that day to the Press Association.

(Charles Powell)

Alan E. Bristow, Esq.

JA



10 DOWNING STREET

NW

Happy for me

to acknowledge
as proposed!

CDP CDN

Yes

NLW

10.2

Officials appearing before Select Committees to give evidence do so on behalf of their Ministers. As the Procedure Committee, whose recommendations led to the establishment of the Departmental Select Committee, pointed out (First Report from the Select Committee on Procedure, Session 1977/8, paragraph 7.8):

"It is a long-standing practice that Committees requiring evidence from a Government Department leave it to the Department to nominate their witnesses."

As the Prime Minister pointed out this afternoon in the House, this long-standing practice is particularly relevant in the case of ~~the~~ Private Secretaries, who must stand in an especially personal relationship to their Ministers. They have no standing and no responsibility other than as assistants to and channels of communication for their Minister. The nature of their duties and relationship with the Minister on the one hand and the Department on the other make it inappropriate that they should be called upon to give evidence to Select Committees. [It is no doubt for this reason that no Private Secretary has ever given evidence

to a Departmental Select Committee on matters relating to his Minister's responsibilities; nor has any request for the attendance of a Private Secretary for that purpose ever been made.] It is a Minister and not his officials who are accountable to the House: officials attend the House and its Committees with his permission ^{and} on his authority, and they give evidence in accordance with his instructions.

Mr. Alexander Pollock]

penalty and, more particularly, the question of upon whom any penalty might be imposed are surely matters better kept for further and fuller exploration in Committee.

With regard to clause 4, dealing with wheelhouse visibility, I am glad that my hon. Friend has made it clear that the clause cannot remain in its present form, that it will need substantial redrafting and that it will not apply to vessels already fishing. That will certainly allay a number of fears.

In conclusion, these few remarks will have shown my keen interest in the Bill, as well as my reservations about some of the clauses as they now stand. Those reservations can be fully explored in Committee. Meanwhile, I join in wishing the Bill if not a wholly smooth voyage, at least a very worthwhile passage through the House.

It being Eleven o'clock MR. SPEAKER interrupted the proceedings, pursuant to Standing Order No. 5 (Friday sittings).

Westland plc

Mr. Peter Shore (Bethnal Green and Stepney): On a point of order, Mr. Speaker. In view of the serious and damaging allegation by Mr. Alan Bristow last night that he was offered a knighthood if he would sell his shares in Westland, have you received any intimation of a statement from the Prime Minister today? If not, as the Leader of the House is in his place, will the right hon. Gentleman convey to the Prime Minister the wish of the House for an early and authoritative statement? There has been a denial by a No. 10 spokesman, but, as you know, Mr. Speaker, truth is stranger than fiction and misunderstandings occur. The matter should therefore be cleared up today ahead of a weekend of otherwise damaging speculation.

The Lord Privy Seal and Leader of the House of Commons (Mr. John Biffen): Further to that point of order, Mr. Speaker. I have been authorised by my right hon. Friend the Prime Minister to say that no authority to offer an honour to Mr. Bristow has been sought or given, and no approach has been made to my right hon. Friend that any such offer be considered. She has asked me to say that she would have dismissed any such approach out of hand as a total abuse of the honours system. No member of the Government nor anyone acting on their behalf has made any offer of an honour to Mr. Bristow or tried to bring pressure to bear on him in any way.

Mr. Shore: Further to that point of order, Mr. Speaker. Do we understand from that statement that the Prime Minister was actually consulted on this occasion? Has she also consulted her right hon. Friend the Chancellor of the Duchy of Lancaster and the chairman of Central Office?

Mr. Biffen: Further to that point of order, Mr. Speaker. The statement is as I have said and contains the remarks that I have been authorised by my right hon. Friend the Prime Minister to make.

Dr. David Owen (Plymouth, Devonport) *rose*—

Mr. Speaker: Order. This is a point of order. It is not in order to cross-question on a point of order. If the right hon. Member for Plymouth, Devonport (Dr. Owen) wishes to speak, it must be on a point of order to me.

Dr. Owen: On a point of order, Mr. Speaker. There is an increasing habit for points of order, which seem to be raised with some understanding between the two Front Benches, to be used as an excuse. These questions of patronage are extremely important. As one who has stood aside from the patronage system and not allowed my party to be involved in it, I feel that I am entitled to make some comments.

The Leader of the House, with the authority of the Prime Minister has made a very full statement. There are many questions to be raised about patronage. We know that 11 private sector industrialists who received peerages from 1979 to 1985 worked for companies which gave £1,850,000 to Tory party funds and that 44 of the 64 people working in the private sector who received knighthoods contributed—

Mr. Speaker: Order. That is not a point of order for me. The right hon. Gentleman's opening words were entirely legitimate, but not his latter words.

Dr. Owen: Further to that point of order, Mr. Speaker. Is it possible for statements of this kind—

All fishermen must be trained in survival techniques — not only in fire-fighting precautions, but in fire-fighting techniques. All fishermen should be medically examined annually and all young fishermen should undertake survival and fire-fighting training.

What is the position of the Department of Transport on the recommended code of safety for fishermen? I declare an interest, in that I was a member of the committee that produced this important booklet in 1976. Is it still in print and is it still distributed to skippers? If not, why not? It is a first-class code of safety for fishermen. The Merchant navy has a code of safety which is much thicker than this booklet. What is the Department's position on protective gear for fishermen, especially safety helmets? Has research been undertaken into the effect on the stability of vessels caused by the conversion to shelter decks? I am not a naval architect, but I have often wondered about the problems created by such conversions. I welcome anything that makes the job of fishermen easier, but what will be the effect on stability?

Who will police the regulations? It is all very well to say, "You will carry a safety harness and safety helmets for the members of your crew," but we must ensure that fishermen comply with the regulations. Will we have a seagoing fisheries factory inspectorate, or will we ask the fisheries protection service, which does an admirable job in other areas, to police the regulations? I foresee immense difficulties. We all know of people refusing to wear protective gear in land-based industries. The Bill does not tackle that problem but I am sure that it can be amended in Committee. I wish to hear the Minister's views on that. It is not true that many of the clauses could be dealt with by way of statutory instrument?

The Bill must be amended to strengthen it, but I give it a most sincere welcome.

10.52 am

Mr. Alexander Pollock (Moray): I add my warm congratulations to my hon. Friend the Member for Banff and Buchan (Mr. McQuarrie) on securing first place in the ballot and on his choice of subject. Those of us who know him well are not surprised that he should have chosen to introduce a Bill on a subject that is dear to his heart. As a neighbour of his on the Moray coast, I can understand why. Like him, I have had the harrowing experience during my years in Parliament of visiting the bereaved, attending memorial services after the loss of vessels at sea and being conscious of the tragic heartache involved.

I pay tribute to my predecessor in the Banff part of my constituency, Mr. David Myles. He, too, took those duties seriously and discharged them with a quiet dignity that struck a warm chord on both sides of the House. It is also incumbent on me to pay tribute to the superintendents of the missions for the work that they do in those trying times, along with local ministers.

The concept of safety at sea and its promotion has, understandably, found support on both sides of the House today, and the Bill has an impressive list of supporters from all parties. It was also encouraging to see the number of hon. Members who visited the exhibition organised in the House yesterday, which enabled us to see the striking new equipment that is so relevant to the Bill.

I could summarise my position on the Bill by saying that I applaud its objectives, but I have several reservations about some clauses remaining in their present form. Perhaps I might deal with some of those in turn. In so

doing, I join my hon. Friend the Member for Wyre (Sir W. Clegg) in saying that I do not attack my hon. Friend's good intentions in drafting the Bill as he did. I know many of the restraints under which he had to work. However, as he recognised, some obvious flaws must be corrected and some definitions must be more tightly drawn.

Furthermore, if the Bill is to have the desired effect, Parliament must take the fishermen with it as far as it can. Given that there has not been full consultation with the leading fishermen's organisations, we must be ready to hear their point of view and do our best to work together to finalise legislation acceptable to all. I welcome the willingness of fishermen's leaders, such as Willie Hay and Sandy Baird, to enter into a dialogue with a view to making constructive suggestions as to how best to secure the passage of the Bill through the House in a form acceptable to the industry.

I am glad that my hon. Friend made it clear that the purpose of the Bill is to promote safety measures only on fishing vessels. Were that not the case, the Bill would be too wide-ranging and run the risk of attracting criticism from those with whom it is not primarily concerned.

Although clause 1, which deals with the provision of distress beacons, may not save the lives of fishermen, we should remember that it may lead to substantially fewer risks encountered by air-sea rescue services, such as the Nimrods from RAF Kinloss and the Sea King helicopters from RAF Lossiemouth, both in my constituency, and to which I also pay warm tribute for the work that they do. They are often required to search for long periods in wretched and dangerous conditions after a fishing vessel is believed to have gone down.

The clause will also help to relieve the heartache of the widows and parents ashore, many of whom have repeatedly told me of their anguish when their men's bodies cannot be found and brought home for a proper burial. Against that background, the cost of the beacon and the hydrostatic release seems small indeed.

Clause 3, which provides for the compulsory wearing of lifejackets, will be the most controversial measure. It is perhaps natural that an industry composed of individuals should be suspicious of such compulsory requirements. Men who spend their lives pitting their wits against the elements may think that they already take sensible precautions and resent being told what to do by Parliament. They have two key questions to ask. First, is there a design on the market which allows fishermen to carry out their essential duties with the minimum of discomfort and interference? Secondly, is there a design robust enough to withstand the normal rigours of their daily work? Many of us have seen the exhibition and tried on the new equipment. I hope that more facilities will be provided to allow such equipment to be readily seen and tried at first hand by fishermen round our coasts.

If there is such a design, could recent tragedies have been avoided by wearing such lifebelts? If there is evidence in the affirmative—I believe that there is—Parliament must be prepared to take the lead and, if necessary, impose its view on a suspicious industry. The parallel has been drawn with seat belts. I was a late convert to the compulsory legislation. To begin with, I considered it an intrusion on liberty, but the facts are chieftains that win a day, and in this case clearly they have their place. The precise extent of any enforcement, the nature of any

they are, in effect, statements—to be made by the Leader of the House under the guise of points of order and then not to be subject to questioning? I believe that we have a legitimate—

Mr. Speaker: Order. I was asked originally whether I had received any request for a statement to be made on this matter. I had not.

Dr. Owen: I wish to raise—

Mr. Speaker: Order. The right hon. Gentleman well knows that he must raise points of order with me. I have ruled, and it is a well-known practice of the House, that we cannot have an exchange on a point of order.

Dr. Owen: On a point of order, Mr. Speaker I am referring to the way in which the House is being manipulated. The Leader of the House has read an authorised statement. I appreciate that you were not aware of what was happening and I am not in any way challenging you. I am questioning the practice between the two Front Benches whereby the shadow Leader of the House raises a point of order, as he is perfectly entitled to do and is right to do on a matter of such great importance, and this is followed by a detailed statement from the Leader of the House quoting the Prime Minister and using the authority of the Prime Minister. We are then asked to believe that we are not entitled to ask questions on that statement. This is the second time that it has happened this week.

Other parties in the House have rights, and the people of this country have rights. We are getting fed up with the conspiracy between the two Front Benches. I ask you, Mr. Speaker, to protect the rights of minority parties and the wider public.

Mr. Speaker: I know nothing about conspiracies between Front Benches. I received notice of a point of order from the right hon. Member for Bethnal Green and Stepney (Mr. Shore) who is on the Opposition Front Bench. That was perfectly legitimate. He asked whether I had received a request for a statement. I have received no such request. I fully understand the point made by the right hon. Member for Plymouth, Devonport (Dr. Owen). It is up to him, if he wishes, to raise a point of order, which he has correctly done.

Several Hon. Members *rose*—

Mr. Speaker: Order. There is nothing further that I can say on this. It is not a matter for me. I will take a different point of order.

Mr. Jack Straw (Blackburn): On a point of order, Mr. Speaker. Without in any way associating myself with the remarks of the right hon. Member for Plymouth, Devonport (Dr. Owen), may I say that my right hon. Friend the Member for Bethnal Green and Stepney (Mr. Shore) asked on a point of order whether you had received a request for a statement. The Leader of the House replied to that on a point of order but then went on to make a statement which seems to us to have had nothing whatever to do with the point of order.

If the Leader of the House or anyone else rises on a point of order to you, Mr. Speaker, but then proceeds to make a separate statement, is it not in order for you to allow him to be questioned on that statement? Is it not a gross abuse of the House for the Leader of the House to shelter behind a point of order to avoid being questioned on a substantive statement?

Mr. Speaker: It would not be in order for me to allow questioning as that would be equivalent to allowing a private notice question or something of that kind. This was a point of order.

Mr. Straw: Further to that point of order, Mr. Speaker. It is accepted practice that when Ministers, including the Leader of the House, make substantive statements, not about the procedure of the House but on a substantive issue, as this clearly is, Members have the right to question the Minister concerned. The Leader of the House has just made a clear statement on a substantive issue, but we are denied the opportunity of questioning him. How can we have an opportunity to question the Leader of the House on the statement that he has made?

Mr. Speaker: I think that the answer to the hon. Gentleman's question is that the usual channels, which are well recognised, are the place to ask for a statement on this important matter on Monday.

Several Hon. Members *rose*—

Mr. Speaker: Order. This is a private Member's day. There is a statement to follow. There is nothing that I can say on this matter. It is not a matter for me. I am not party to a point of order or the response to it. It has nothing to do with me.

Several Hon. Members *rose*—

Mr. Speaker: Order. I cannot answer questions on this. What can I say?

Several Hon. Members *rose*—

Mr. Speaker: Order. There is nothing that I can say on this. I will take one more point of order from the Front Bench.

Mr. Alan Williams (Swansea, West): On a point of order, Mr. Speaker. This is a different point of order.

The assurances from the Government would normally have been accepted had not the Prime Minister used the threat of withholding honours from civil servants who were in dispute during the Civil Service strike. There is an important point for the Chair. It must be a matter of great concern to the House and to you, as Speaker of the House when such have been the activities of the Prime Minister and her Ministers—*[Interruption.]* This is a point of order, and I am coming to the point. Such a web of manipulation, evasion and connivance has been spun that even a hard-headed business man can seriously believe that a genuine offer was made to him.

Mr. Speaker: Order. The right hon. Gentleman is going into the substance of the matter. I know nothing about offers being made to anyone.

Mr. Williams: The important issue, Mr. Speaker, is that the integrity of the House, as well as that of the Government, is involved. What we have seen this morning is the inability of the House to question Ministers on an allegation that it is essential, in the public interest, to have clarified as quickly as possible before too much damage is done both to the Government and, more importantly, to the integrity of the House. I ask you, Mr. Speaker, to tell us what action you can take to protect the integrity of the House. Secondly, I ask you to tell us whether you will ask the Prime Minister to make a statement on Monday.

Mr. Speaker: It is not for me to ask the Prime Minister to make a statement.

Several Hon. Members rose—

Mr. Speaker: Order. As this is a private Member's day, I shall take one question from Back Benchers in equity to them. I call Mr. Heffer.

Mr. Eric S. Heffer (Liverpool, Walton): I ask for your guidance, Mr. Speaker, on a matter of procedure. I have always understood that whenever a Minister makes a statement in the House he has to do so on a point of order. That is done because the statement is being made during the normal proceedings of the House—for example, during a Second Reading debate or any other business. I have been a member of this place for 21 years and that has always been my understanding. The Minister having made a statement, Members have the opportunity to question him on it. It is your right, Mr. Speaker, to determine how long will be allocated to questions after the statement has been made, but when a statement is made, surely Members have the right to ask the Minister questions on it.

Mr. Speaker: I am bound by the rules of the House, and the House knows that I am the custodian of those rules. The matter was raised with me on a point of order and I had no knowledge that the Leader of the House proposed to say anything. He indicated to me—

Several Hon. Members rose—

Mr. Speaker: Order. The right hon. Gentleman indicated, following the point of order of the right hon. Member for Bethnal Green and Stepney (Mr. Shore), that he wished to respond, and I allowed him to do so. I had no knowledge that that would happen. Mr. Peter Shore.

Mr. Dennis Skinner (Bolsover): Another Front Bencher.

Mr. Peter Shore: I wish to be helpful, Mr. Speaker. I realise that you have been placed in considerable difficulty. It is true that I rose in my place on a point of order. My purpose was to press for the Prime Minister to make a statement. The Leader of the House then took the opportunity of making a statement. It has been properly said that, if a statement is made, it must be subject to further cross-examination under the rules of the House. That is why I took the liberty of asking a supplementary question. I assumed that the Leader of the House had made a statement. We are either dealing with a statement, or a half statement, or with a point of order.

In view of the unsatisfactory nature of the statement and our inability to pursue it further, I press again for a statement to be made by the Prime Minister later today and not on Monday.

Mr. Speaker: I have no responsibility for statements. If the Leader of the house wishes to make a statement, that is a matter for him, not for me. I dealt with the matter as a point of order.

Several Hon. Members rose—

Mr. Biffen: As this is a Back-Bench Members' day, I realise that there is anxiety to protect that part of the business. I recognise also the more general point of interest that has been raised by the right hon. Member for Bethnal Green and Stepney (Mr. Shore). Therefore, I suggest that the matter is proceeded with through the usual channels.

Mr. David Steel (Tweeddale, Ettrick and Lauderdale) rose—

Mr. Skinner: On a further point of order, Mr. Speaker.

Mr. Speaker: Mr. David Steel.

Mr. Steel: May I make a suggestion to you, Mr. Speaker, to which I do not ask you to react immediately? I suggest, Mr. Speaker, that you read the report in the *Official Report* of these proceedings and the report of the proceedings that took place on Tuesday, when the Leader of the House made a business statement on a point of order. I ask you to read both reports and then to decide whether there should be a private discussion between yourself and the Leader of the House to stop the practice of statements being made in response to points of order.

Mr. Speaker: That is a wise suggestion, but I do not know whether I should be involved. Perhaps it is a matter in which all the parties should be involved.

Mr. Skinner rose—

Mr. Speaker: Order. I do not need any help from the hon. Member for Bolsover (Mr. Skinner).

Mr. Skinner: On a further point of order, Mr. Speaker.

Mr. Speaker: Order. I do not need any help from the hon. Gentleman.

Mr. Skinner: This is a further point of order, Mr. Speaker.

Mr. Speaker: I shall allow the hon. Gentleman to raise his point of order if it is directed to a different subject. I ask him to bear in mind that this is private Members' time.

Mr. Skinner: I bear that in mind, Mr. Speaker. That is why I am concerned that those on the Front Benches have intervened on about six occasions while I have been in the Chamber attempting to raise a point of order. The occupants of the Front Benches should be concerned about Back Benchers' time as well. The Government should be concerned about Back Benchers' time. It is conceivable that if the business had proceeded in the proper way, the issue before us would have been dealt with by now.

You will recall, Mr. Speaker, that when the business statement was made the other day on a point of order, I took up the issue. I think you will agree, Mr. Speaker, that most of those in the Chamber at the time agreed with me and took it for granted that the practice of making statements in that way would cease. We have witnessed this morning another example of the Government Front Bench, and the Leader of the House particularly, taking the opportunity to get away with making a statement without that statement coming under close examination.

I believe that it is the job of Mr. Speaker at all times to protect the interests of those on the Back Benches as well as those on the Front Benches, whether they are Privy Councillors or not. I think, Mr. Speaker, that it would be wise if in future you used your discretion to ensure that you take the opportunity to penalise the Government, if they try to get away with this sort of tactic again, by allowing the House to question the Minister who has made the statement. If that is done, the Government will cease this practice.

Mr. Speaker: There is a good deal of sense in what the hon. Gentleman has said. I think also that the leader of the Liberal party has made a wise suggestion. We shall move on to the private notice question of the right hon. Member for Manchester, Gorton (Mr. Kaufman).

Later—

Dr. Owen: On a point of order, Mr. Speaker. After consulting *Hansard*, may I say it seems that the only way

that you can be relieved of the predicament in which you have been placed by the Leader of the House, who made what was clearly a statement on a point of order, is for him to repeat that statement with any other additions that he might wish to make after business today. There are precedents for that procedure. I would urge that that course be adopted. Having heard that, perhaps the Leader of the House will now say that he will comply with the Orders of the House because he has breached them and placed you in a difficult and embarrassing position.

Mr. Frank Dobson (Holborn and St. Pancras): He could do it now.

Dr. Owen: It would be preferable if he would do it now.

Mr. Nigel Spearing (Newham, South): Further to that point of order, Mr. Speaker. Can you clarify the difference of understanding about what constitutes a point of order? As I understand it, a point of order relates to procedure and not to the substance of any matter. When the Leader of the House rose, you were not to know whether he was courteously going to tell the House when the next statement about the matter he mentioned would occur. The House is aware that you in no way caused the difficulty, Mr. Speaker. In that case, would it not be for the benefit of all, and the procedures of the House, without taking any further time from private Members' business, for the statement to be repeated at 2.30 pm this afternoon so that the substance of the matter may be subject to the normal questioning after a statement?

Mr. Speaker: It is not the responsibility of the Chair to call for statements, but I take the point. I understood that the leader of the Liberal party suggested that such matters should be discussed through the usual channels. That is perhaps the best method for dealing with them.

Cocaine Kits (London)

11.17 am

Mr. Gerald Kaufman (Manchester, Gorton) (*by private notice*) asked the Secretary of State for the Home Department if he will make a statement about what action he intends to take in response to the disclosure that cocaine kits are being sold in London.

The Parliamentary Under-Secretary of State for the Home Department (Mr. David Mellor): I share the concern that is felt by right hon. and hon. Members over this attempt to make money through the encouragement of drug misuse. I understand that such kits are made up of everyday articles, the sale of which is not in itself an offence. The police would, however, respond immediately to any suggestion that illegal drugs were being sold with these kits. I shall review again the practicability of making the sale of these kits a criminal offence.

Mr. Kaufman: The Minister will be aware that the entire nation must have been shocked to see on last night's television news, and to read in today's press, how easy it is to buy cocaine snorting kits in London, following complaints by some of my hon. Friends about a similar abuse in Scotland. Is he aware that my assistant visited Carnaby street this morning and saw displayed in the shop window of an establishment named "Carnaby Centre" several items which could be employed for drug use, together with a promise of more being available in the basement, which is blatantly named "The Head Shock". We note what the Minister has said but we require some commitment for action.

We ask the Government to consider inserting an amendment in the Drug Trafficking Offences Bill, or a provision in the Budget, or both, to seek to prevent these activities. The Home Secretary is the police authority for London and he will understand that we expect action from him to stamp out this scandal.

Mr. Mellor: As the right hon. Gentleman knows, I have been extremely grateful to the Opposition, including himself and the hon. Member for Birmingham, Erdington (Mr. Corbett), for the assistance that they have given in facilitating the passage of the Drug Trafficking Offences Bill. I should like to have the chance of discussing this matter with him or the hon. Member for Erdington.

It seems that the problem of selecting the right vehicle for changing the law is not the central one. The problem lies in finding a way of penalising the sale of what is a collection of everyday items such as mirrors, which have a normal use. I agree with the right hon. Gentleman that at a time when the entire community is outraged by the prospects of drug misuse—we saw on last night's news bulletin the damage that can be caused to newly born babies following their innocence in the womb by cocaine misuse—and the evidence that makes it clear beyond peradventure that cocaine is utterly destructive of life and not a champagne drug. Against that background, we should respond to the challenge and the affront to us all that is represented by the Carnaby street window display. I hope that we can have some discussions about that and bring forward a solution that the House would want to endorse.

Mr. Speaker: I remind the House that this is a private Member's Bill day and, in fairness to the hon. Member for

[Mr. Speaker]

Banff and Buchan (Mr. McQuarrie), I must draw attention to the fact that the statement concerns cocaine kits being sold in London and nowhere else.

Mr. Cyril D. Townsend (Bexleyheath): Is my hon. Friend aware that there is considerable concern in greater London that such kits, which are clearly designed for one despicable purpose, are readily available in shops in greater London? Does he understand that his statement will be warmly welcomed, provided that it leads to prompt and effective action to deal with the problem once and for all?

Mr. Mellor: I am grateful for what my hon. Friend has said.

Dr. M. S. Miller (East Kilbride): Surely the hon. Gentleman must realise that there is a big difference between items which are sold individually which have all kinds of uses and a pack which is specially produced containing items for the specific use of taking drugs.

Mr. Mellor: That is plainly the point that we must address in trying to see whether the prohibition can apply. The hon. Gentleman will know that the Government supported the successful attempt of my hon. Friend the Member for Tynemouth (Mr. Trotter) last year to deal with the sale of glue-sniffing kits, although they contain the substance itself — glue — whereas these kits do not contain prohibited drugs. However, I assure the House that, having seen on my visit last April the problems that the paraphernalia causes in the United States, no one is more enthusiastic than me to find a workable way of outlawing it. I assure the hon. Gentleman that I shall set to the business of finding such an answer with appropriate vigour.

Sir Brandon Rhys Williams (Kensington): Does not this incident suggest that the Government's approach to the drug menace is not on sufficiently broad a basis and that we should look at dangerous drugs, such as cocaine, heroin and cannabis, to see who is marketing them, to whom and why there is a demand for each of them? Ought we not then to tackle each of the different markets and encourage people to resist the temptation to buy the drugs and not only prevent people from selling them?

Mr. Mellor: That is exactly what we do. The Government have recently announced the continuation of a prevention campaign aimed particularly at heroin, that campaign having had most encouraging results for those most at risk — the teenage population. We have a sophisticated approach which recognises the differences between certain drugs and their attractiveness. I want to make it clear that, although we have focused on heroin as public enemy No. 1 in Britain, cocaine is every bit as grave in its impact and no one should be attracted to taking it by the fact that these rather twee little kits are available both here and across the Atlantic.

Mr. Chris Smith (Islington, South and Finsbury): Does not the information demonstrate yet again the alarming spread of drug misuse in London? Therefore, is it not sad that the special drugs money initiative launched by the Secretary of State for Social Services has largely bypassed London? Will he now make representations to ensure that facilities in the capital for combating drug misuse are increased?

Mr. Mellor: The hon. Gentleman is wrong in saying that money has bypassed London. It has not. He will know from his own community of the support that is being given to the City Roads project and to other community groups. Indeed, I visited Islington and sought to lend such weight as I have to the real efforts that are being made in his borough. I can assure him that the interests of London are in no sense being neglected.

Mr. Teddy Taylor (Southend, East): Will my hon. Friend consider again whether existing powers give him the right to ban the sale of everyday items, bearing in mind that last year the Government used existing powers to ban the sale of 120 million erasers on the flimsy ground that they might encourage children to sniff them? Given the use of the powers then, why cannot exactly the same priorities operate for these kits?

Mr. Mellor: Obviously, as part of looking again at the problem I shall take account of that, but I want the House to understand that this is a matter that the United States has already had to confront. There is no federal law prohibiting the sale of such paraphernalia in the United States because of similar difficulties. A recent development that is of some use is a draft model that has been produced by the drug enforcement administration for use by individual state assemblies. Obviously, as part of our efforts to find an effective way of dealing with the matter in the United Kingdom, we shall want to look at that. However, I urge the House not to think that the banning of items in everyday use such as a mirror, which even hon. Members would acknowledge using occasionally in private moments, is an easy matter. We must be clear that we have made a distinction between those everyday items when sold together and those everyday items when sold separately.

Mr. Charles Kennedy (Ross, Cromarty and Skye): The Minister and the Government lay great emphasis on the campaign that they are waging against drug abuse and the related activities, so why has it taken a television programme to highlight the problem in London before steps, in the form described in his statement, are taken? As the Government are taking steps in London, and as the Minister will have seen the early-day motion, will he put pressure on his ministerial colleagues for similar steps to be taken in Scotland as the same problem has existed there for some time now? The Edinburgh study, which I hope the hon. Gentleman has looked at, and the early-day motion, points surely to a causal link between the rising level of unemployment among young people and the rising use of drug abuse in Scotland.

Mr. Mellor: The hon. Gentleman makes a variety of different points and I cannot deal with them all beyond saying that no link between the taking of drugs and unemployment has been established. The taking of drugs is much more closely linked to pressure from friends and curiosity.

Of course, a television programme was not needed to draw our attention to the problem. I have already made it clear that I have been aware of the problems of paraphernalia from my visit to the United States. But we have tackled the problem of drug misuse by establishing priorities. For instance, a Bill dealing with the important matter of drug traffickers' assets is going through the House. Now that it appears that the paraphernalia problem

CONFIDENTIAL

Reference..... 115/2

To:
PS/Mr Howard

From:
A C G Lowry
AS/FS1
Room 606
Sanctuary Buildings
215 3784

7 February 1986

WESTLAND

NW
Apparently Mr. Channon
referred this to Sir
Brian Hayes for
advice. I have
asked to be
informed once a
decision has been reached
on how to proceed. COP 117.

cc PS/Secretary of State
PS/Mr Pattie
PS/Sir Brian Hayes
Mr Caines
Mr Michell ✓ Air
Mr Hilton FS
Mr Bovey Sol
Mr Woolman Sol
Mr O'Shea Air
Mr Louth FS1
Ms Powell Press Office
Mrs Scarborough Sol A8

Mr Alan Bristow is not a person entitled under the Prevention of Fraud (Investments) Act to issue circulars recommending people to acquire or dispose of shares, or containing information calculated to lead to their doing so. He published a full-page message in a number of Wednesday's newspapers which is clearly designed to influence Westland shareholders to dispose of their shares to the European Consortium. It is not beyond doubt that Mr Bristow's full-page spread is a circular within the meaning of the Act. But if it is such a circular Mr Bristow, by issuing it without being an authorised person under the Act, has committed an offence carrying a maximum penalty of two years in gaol.

2 Mr Bristow was clearly motivated by his convictions about Westland's proper destiny, not by the sort of fraudulent schemes the PF(1) Act was designed to repress. Given this, and the uncertainty that the message is a circular, prosecution would be excessive. But the normal course is to send a warning letter to apparent transgressors of the PF(1) Act. Air Division (and Cabinet Office whom they have consulted, in accordance with current instructions) are content that the normal course should be followed. This may become public (though the normal course does not include ensuring that it does); and if it does, the UTC/Fiat camp may complain about Bristow not being prosecuted. That is a much smaller problem than explaining having done nothing.

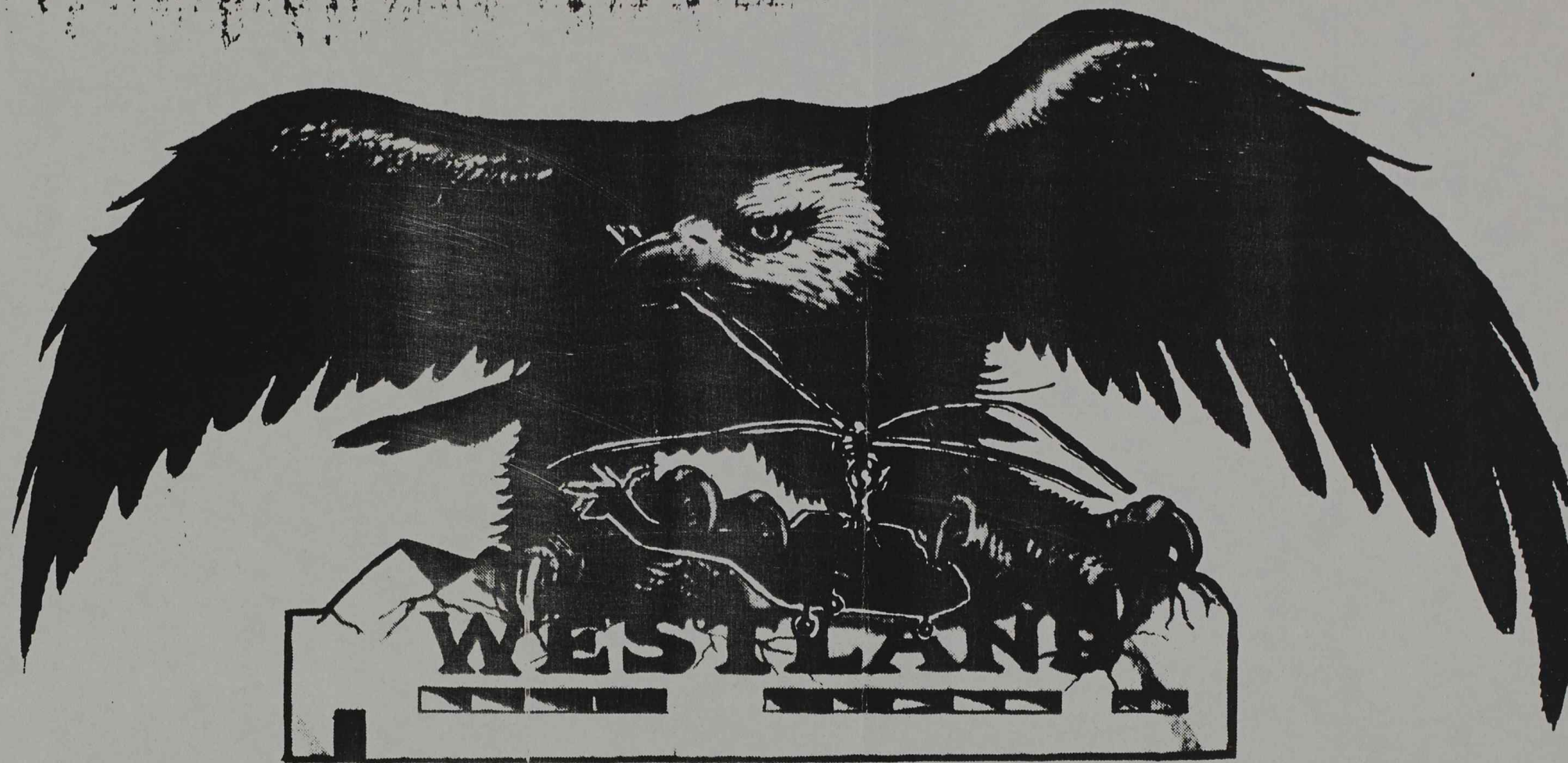
3 The letter attached is of a sort which would normally be sent without reference to Ministers; indeed, in most cases, without reference to myself. In this case, for obvious reasons, Ministers should know what is proposed, and have the chance to direct that normal enforcement action be not taken.

4 I should perhaps mention that I consulted Mr Caines - who concurred - before putting this action in hand.

Ragshankar

A C G LOWRY

A message to shareholders and the people working for Westland, from Alan Bristow.



**Why has the Westland Board
not given us the whole story?**

"In my opinion, the Anglo-European Tender Offer provides the best solution to secure Westland's certain return to financial stability and prosperity.

It is a genuine and constructive deal and the best foundation upon which to rebuild Westland to its rightful pride of place.

It is high time that the Westland Board based its commercial and technical decisions on facts and not on fantasies. Look where its past decisions and policies have led the company.

How can Black Hawk be viable for Westland?

What is the point of Westland building a foreign military helicopter like Black Hawk when the British and Europeans are not prepared to place orders for it?

Without underpinning orders for an initial batch of at least 150 Black Hawks the financial risks for Westland are unacceptably high.

Why then is the Westland Board taking the company down the same disastrous route it pursued so blindly with the W30?

These questions must be answered.

The Chairman's Circular to Shareholders dated 27th January 1986 omits more than it tells.

☆ Why does it not tell us about Westland's long and profitable relationship with Aerospatiale since 1968, which resulted in Westland building French designed Gazelles and Pumas?

From this Anglo-French production agreement the Lynx was born: without French participation Westland could not have built the Lynx.

☆ Why are we not told that Aerospatiale to this day builds rotor heads for the Lynx and W30 helicopters? And gives Westland sub-contract work

in the order of £20-25 million every year and that this work is profitable for Westland?

☆ Why does Westland have to pay a lump sum of £10 million as an 'operating subsidy' to persuade the Indian Government to sign the contract for twenty-one W30 helicopters for which the British Government has provided £65 million of Overseas Development Aid?

☆ How does the Board reconcile its statement that the Black Hawk '... is the outstanding helicopter in its class with great export potential'? In its proposals to the Ministry of Defence for the AST404 helicopter, Westland claimed that the W30-400 model was superior to the Black Hawk.

☆ Where is the 'great export potential' for Black Hawks for Westland?

And how many Black Hawks does Westland have to build before the break-even point is achieved?

☆ Why does the Board make statements which by implication hold out glowing market opportunities which the directors cannot substantiate?

☆ Westland has had success in selling Lynx, Sea King and Commando helicopters in the markets of the world. It is these markets that Sikorsky want to access through their 'Trojan Horse' tactics, by obtaining a minority interest in Westland.

☆ From a position within the company, Sikorsky will benefit from Westland's advanced rotor head and blade design technology which is acknowledged to be the world leader.

The Anglo-European Consortium.

The Anglo-Europeans have made an excellent Tender Offer and, if I was uncommitted, I would accept it without delay. It only takes acceptance of the Tender Offer at 130p by 20% of shareholders for the Anglo-Europeans to win

the day and to kill Sir John Cuckney's spectres of stalemate and receivership for all time.

Do not be persuaded that Westland is any longer in danger of receivership. The Anglo-European Offer makes this impossible. It will not be withdrawn.

Moreover the participation of the two most successful, innovative and privately owned British aerospace companies - BAe and GEC - will make positive contributions.

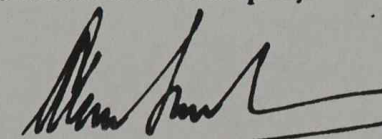
From them will come management, production, marketing and export skills which are essential ingredients to the exploitation of British advanced helicopter technology.

On a personal note.

The Panel on Take-overs and Mergers 'gagged' the spokesman for the Anglo-European Consortium. I believe somebody had to take the initiative to get the Anglo-European message across.

If you decide not to accept the Tender Offer then please VOTE AGAINST both Ordinary Resolutions, otherwise UTC/Fiat could end up with 29.9 per cent of the enlarged share capital in addition to their 9.27 per cent stake in the existing share capital.

I have increased my investment in the company by 8.5 million shares this year, to show that my commercial judgement rates the Anglo-European proposal as the best for the shareholders and the future of the company."



Alan Bristow
Private Shareholder

Today is your last chance to save an important British company.



FINANCIAL SERVICES DIVISION 1
DEPARTMENT OF TRADE AND INDUSTRY
SANCTUARY BUILDINGS
16 - 20 GREAT SMITH STREET
LONDON SW1P 3DB

Telephone (Direct dialling) 01-215 3784
GTN 215)
(Switchboard) 01-215 7877

A Bristow Esq
Meadowfield
Cranleigh
Surrey
GU6 7DJ

February 1986

I am writing to you, as the Assistant Secretary in this Department responsible for securities and investment regulation, about your message to shareholders and the people working for Westlands, which was published in a number of national newspapers on 5 February.

Whilst the position of newspaper advertisements under the Prevention of Fraud (Investments) Act is not beyond doubt, an advertisement of this nature is arguably a circular for the purposes of that Act. Section 14 of the Act prohibits the distribution of circulars containing information calculated to lead, amongst other things, to the acquisition or disposal of shares. There is an exception to this general prohibition where the information about a company's securities is given by, or on behalf of, a person authorised under the Act to carry on the business of dealing in securities. This is intended to ensure that communications of this kind are put out only by people subject to regulation, and that the information which they contain is factually correct and sufficiently comprehensive to give a fair picture. (There are other exceptions, including one which enables a company's management to send circulars to the shareholders about that company's shares, which do not apply here.)

In your message you counsel your fellow shareholders to dispose of their shares by accepting the tender offer made by Lloyds Merchant Bank. If the message is a circular (which is not beyond doubt) then, as it was apparently not made through an authorised dealer, it would break the law. The Department, as the regulatory authority, takes a serious view of breaches of the Act.

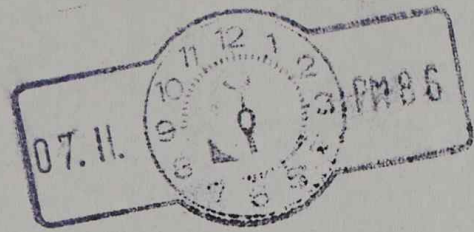
I would stress that the issue here is not the merits (or otherwise) of the tender offer, nor the wider questions concerning the rival offer of UTC/Fiat and the consortium. It is solely that, by inserting this advertisement in the national press, you appear to have transgressed securities law.



It appears that your motive in placing this advertisement in the press was to bring matters which you consider relevant to the future of Westlands to the attention of your fellow shareholders. However, the manner in which you did this appears to have breached the law in a way which denied investors the safeguards to which they are entitled.

On the basis of present information, bearing in mind the extensive information which shareholders of Westlands have already received and the doubt about newspapers to which I have referred, the Department does not propose to take any further action. However, I expect any further communications of this nature you feel moved to put out to your fellow shareholders to be made through authorised persons in accordance with the law.

A C G LOWRY





Chancellor of the Duchy of Lancaster

1. TH Poyell CDP 7/1. 2
2. Home Secretary
to write
N.C. J
7.2 cc Mr. Wickes ✓

md

NOTE FOR THE FILE

TELEPHONE CONVERSATION WITH MR ALAN BRISTOW

On 7 February at 10.50am I telephoned Mr Alan Bristow and had the following conversation with him.

I explained that I was ringing at the request of Mr Tebbit. Following the matters which Mr Bristow had raised the previous day, Mr Tebbit, who was shortly to see members of the press, was concerned that he would be pressed to say what, if any, contacts had taken place between the Government and Mr Bristow. Mr Tebbit felt that he needed to be in a position to tell the press, if necessary, of the telephone conversations which had taken place between he and Mr Bristow while he was in hospital. Otherwise, if he did not do so, he feared that he would be accused of having concealed them.

Mr Bristow wished Mr Tebbit well. He said that he obviously appreciated Mr Tebbit's concern. He had no objection to Mr Tebbit referring to the conversation as he proposed. He had always found Mr Tebbit extremely helpful in all his dealing with him, more as a friend than as a politician. It was in that sense that he had sought his advice in those telephone conversations.

I told Mr Bristow that Mr Tebbit would refer to Mr Bristow's approach to him, as being to seek advice upon the manner in which he should exercise the power of his shareholding. He would go on to say that he had told Mr Bristow that he could give no advice other than that Mr Bristow should act in the best interests of the company as he saw it. Mr Bristow did not dissent from this, going on to say that he recalled that Mr Tebbit had told him that he (Mr Bristow) should make his judgements on the basis of sound commercial common-sense. He said that he was all in favour of having it all out in the open.

Mr Bristow said that he wished to explain his position. The only reason that he had mentioned the whole sordid saga was because Sir John Cuckney, on 5 February, had said that he was acting in concert with the European Consortium, and that he, Bristow, must be part of a concert party. Mr Bristow could not let that accusation go. He had today offered to go to the Stock Exchange or the Takeovers Panel to explain. He had taken extensive legal advice in order to be 100% sure that any actions he took would not debar him from using his votes at a General Meeting. But he was now subject to an open accusation and he had to defend himself. He had only chosen to act as he had as his name was being smeared. His name was being linked with the tender offer. Sir John Cuckney was trying to say that he was part of a concert party.

The conversation closed with Mr Bristow offering further good wishes for Mr Tebbit's health and continued recovery.

A. J. Hawley
7/2/86.

27582 CABOFF G
27582 CABOFF G
859068 AEBRIS G

②

Prime Minister
CDP
7/2

TLX NO 2/114 7.2.86

TO : THE PRIME MINISTER
FROM : MR ALAN BRISTOW

DEAR PRIME MINISTER

I AM SENDING HEREUNDER THE TEXT OF THE STATEMENT I MADE TO THE PRESS ASSOCIATION TODAY JUST IN CASE IT HAS NOT BEEN ACCURATELY AND FULLY REPORTED TO YOU.

QUOTE

STATEMENT BY ALAN BRISTOW 7 FEBRUARY 1986

I WHOLEHEARTEDLY CONFIRM THE STATEMENT AND SENTIMENT EXPRESSED IN THE PRIME MINISTER'S PRESS RELEASE ISSUED THIS MORNING ON THE WESTLAND AFFAIR WHERE SHE SAYS : 'NO AUTHORITY TO OFFER AN HONOUR TO MR BRISTOW HAS BEEN SOUGHT OR GIVEN. NO APPROACH HAS BEEN MADE TO ME THAT ANY SUCH OFFER BE CONSIDERED. I SHOULD HAVE DISMISSED ANY SUCH APPROACH OUT OF HAND AS A TOTAL ABUSE OF THE HONOUR SYSTEM.'

TO THE BEST OF MY KNOWLEDGE, THE INDUCEMENTS MADE TO ME, PRIOR TO THE SHAREHOLDERS MEETING IN THE ALBERT HALL ON 17 JANUARY 1986, OF PUBLIC RECOGNITION OF MY SERVICES TO THE COUNTRY IN THE FORM OF A KNOTHOOD IF I WERE TO VOTE IN FAVOUR OF THE WESTLAND BOARD RESOLUTIONS 2 AND 3 WERE NOT MADE WITH THE AUTHORITY OF THE PRIME MINISTER OR ANY MEMBER OF THE GOVERNMENT. MOREOVER, I WOULD LIKE TO CONFIRM THAT THE PRIME MINISTER'S ACCOUNT OF THE COMMUNICATIONS BETWEEN US IS TOTALLY ACCURATE.

HOWEVER, THE FOREGOING DOES NOT DETRACT FROM THE FACT THAT, QUITE SEPARATELY, I WAS OFFERED INDUCEMENTS OF A DIRECTORSHIP ON THE BOARD OF WESTLAND PLC AS WELL AS THE OPPORTUNITY TO SELL ALL MY SHARES IN WESTLAND AT 135 PENCE PER SHARE ON OR AFTER THE 1ST JANUARY 1987, IF BY THAT TIME I HAD NOT BEEN OFFERED AN EXECUTIVE DIRECTORSHIP IN WESTLAND PLC.

I DECIDED TO DISCLOSE THESE EVENTS IN RESPONSE TO QUESTIONS PUT TO ME BY THE PRESS ON 5 FEBRUARY 1986 AND IN PARTICULAR IN RESPONSE TO THE ACCUSATIONS MADE BY SIR JOHN CUCKNEY, CHAIRMAN OF WESTLAND PLC, REPORTED IN THE BIRMINGHAM POST ON THE SAME DATE, THAT I HAD ACTED IN CONCERT WITH THE EUROPEAN CONSORTIUM WHICH IS TOTALLY UNTRUE.

UNQUOTE

I HOPE THAT YOU WILL UNDERSTAND WHY I HAVE BEEN OBLIGED TO CLEAR MY GOOD NAME IN PUBLIC AND THAT THE ABOVE STATEMENT WILL PUT THE MATTER TO REST FOR GOOD.

YOURS SINCERELY
ALAN E BRISTOW

27582 CABOFF G
859068 AEBRIS G

27582 CABOFF G

STATEMENT

No authority to offer an honour to Mr. Bristow has either been ^{such} given or contemplated.

To do so under the circumstances of the Westland matter would be a total abuse of the honours system.

Nor has any approach been made to me by third parties that any such offer be considered.

The only communication which I have had with Mr. Bristow ^{on the Westland matter} is a telex which he sent me on 16 December to seek a meeting. On 17 December, Mr. Bristow was told that it would not be appropriate for a meeting to take place. Mr. Bristow ^{in direct} ~~subsequently wrote~~ on 23 December ~~to say~~ that he had decided not to pursue the matter further with the Government.

Mr. Bristow contacted Mr. Norman Tebbit (Chancellor of the Duchy of Lancaster) on the Westland matter while Mr. Tebbit was in hospital. He was told that

No member of the Government nor anyone acting on its behalf has made any offer of an honour to Mr. Bristow or tried to bring pressure to bear on him in any way.

File

7/2

STATEMENT

No authority to offer an honour to Mr. Bristow has been sought or given.

No approach has been made to me that any such offer be considered. I should have dismissed any such approach out of hand as a total abuse of the honours system.

No member of the Government nor anyone acting on its behalf has made any offer of an honour to Mr. Bristow or tried to bring pressure to bear on him in any way.

The only communications which I have had with Mr. Bristow on the Westland matter arose from a telex which he sent on 16 December 1985 to seek a meeting with me. On 17 December, Mr. Bristow was told that it would not be appropriate for a meeting to take place. On 23 December Mr. Bristow indicated that he shared my view that it was the responsibility of the Westland Board and its shareholders to resolve the situation and that he had decided not to pursue the matter any further with the Government.

On a Point of Order, Mr Speaker, I have been authorised by my Rt Hon Friend the Prime Minister to say that no authority to offer an honour to Mr Bristow has been sought or given.

No approach has been made to my Rt Hon Friend that any such offer be considered. She has asked me to say that she would have dismissed any such approach out of hand as a total abuse of the honours system.

No member of the Government nor anyone acting on its behalf has made any offer of an honour to Mr Bristow or tried to bring pressure to bear on him in any way.

[I understand that the only communication which my Rt Hon Friend has had with Mr Bristow on the Westland matter is a telex which he sent her on 16 December to seek a meeting with her. On 17 December, Mr Bristow was told that it would not be appropriate for a meeting to take place. On 23 December, Mr Bristow indicated that he shared my Rt Hon Friend's view that it was the responsibility of the Westland Board and its shareholders to resolve the situation and that he had decided not to pursue the matter any further with the Government.]

Speaking note for LPC

./..

7/2

DOCUMENTS IN WESTLAND CASE

The Defence Committee agreed that, since the originals contained some commercially confidential information, they should receive a full and accurate summary of them.

However, in the light of what has been said, we have invited the Chairman of the Committee to contact the DTI to satisfy himself that the resume is an accurate summary; and that any passages not reflected in the summary are commercially confidential.

Bristow

The only communication which I have had with Mr Bristow throughout this affair is a telex which he sent me on 16 December to seek a meeting. My Private Secretary replied on 17 December that it would not be appropriate for a meeting to take place. Mr Bristow subsequently wrote on 23 December to say that he had decided to pursue the matter further with the government.

No member of the Government nor anyone acting on its behalf has made any offer of high office to Mr Bristow or tried to bring any pressure to bear on him.

6 February 1986

KK2/6

has offered an honour or
office to Mr Bristow.



COMMITTEE OFFICE
HOUSE OF COMMONS
LONDON SW1A 0AA
01-219 3280/81 (Direct Line)
01-219 3000 (Switchboard)

CABINET OFFICE
A 1320
6 FEB 1986
FILING INSTRUCTIONS
FILE No.

Mr Wicks

DEFENCE COMMITTEE

6 February 1986

*Please
Keep together
for the bag*

Dear Sir Robert,

I enclose one copy of the transcript of the evidence given by you in public to the Committee. I would be grateful if you would examine this and make in ink, in your own handwriting, such alterations as are -

- (i) restricted to the correction of inaccuracies in the printing or reporting of the evidence, or
- (ii) restricted to the correction of matters of fact which do not materially alter the general sense of any answer.

Minor alterations to the style or grammar of any answer should not be made.

You should not alter any questions, and if you wish to explain or give any additional information, you may either submit a footnote to your evidence at the appropriate point, or submit a memorandum.

I should be grateful further if you would return a corrected copy of the transcript to reach me by 11.00 am on Wednesday 12 February. If special circumstances make this impossible, please let me know, but if I do not hear from you to that effect, and do not receive the corrected transcript within the time indicated, the evidence will be published in its original form.

Although your evidence was taken in public, you should not make any public reference to this transcript without indicating clearly that it is an uncorrected document, and that the final form of its publication has not yet been approved by the Committee.

Yours sincerely, Nicholas Wright

Nicholas Wright
Assistant

Sir Robert Armstrong GCB CVO
Secretary of the Cabinet and
Head of the Home Civil Service
70 Whitehall
London SW1A 2AS

HOUSE OF COMMONS

MINUTES OF PROCEEDINGS

TAKEN BEFORE THE

DEFENCE COMMITTEE

WEDNESDAY 5 FEBRUARY 1986

SIR ROBERT ARMSTRONG, KCB

Evidence heard in Public

Questions 1093 - 1349

MEMBERS' CORRECTIONS

Any Member of the Committee who wishes to correct the Questions addressed by him to a Witness is asked to send the correction to the Committee Clerk as soon as possible.

Members receiving these Minutes of Evidence are asked to ensure that the Minutes are confined to the object for which they are printed the special use of the Members of the Committee - and are not given wider circulation.

WEDNESDAY 5 FEBRUARY 1986

Members present:

Sir Humphrey Atkins, in the Chair
Mr Churchill
Mr Dick Douglas
Mr Bruce George
Dr John Gilbert
Mr Edward Leigh
Mr Michael Marshall
Mr Michael Mates
Mr Keith Speed
Mr Neil Thorne

- - - - -

SIR ROBERT ARMSTRONG, KCB, Secretary of the Cabinet,
called in and examined.

Chairman

1093. Sir Robert, good morning. Thank you for letting us know yesterday that you would be ready to give evidence to us and thank you for responding so quickly to our invitation. I hope you will be able to reply fully to our questions this morning. As you know, we have been investigating the defence implications of the future of Westland plc. In the course of this we have also been examining the decision-making process in this particular case, especially as this process affected defence interests. The matters which you investigated in your inquiry, therefore, have relevance to our investigation. I should say that we made it clear that our request to see the five named officials still stands: whether we wish to hear evidence from them will depend to a large extent on the evidence you give us this morning. We will rise this morning not later than 1 o'clock: if necessary, we will invite you to return to continue your evidence on another occasion. In any event, it is our practice to follow up in writing any detailed matters which arise in evidence. Now we will take as much of our evidence as possible in public this morning, but it is possible that matters might arise on which you wish to answer in private. If this is the case, you will let us know and we will then hear your reasons for

going into private session before considering whether we should do so. I would like to mention one other point before we begin. I am aware of comment about the extent to which the matters we are investigating fall within our orders of reference. Although it is a rule of the House that the interpretation of the order of reference in the Select Committee is a matter for that Committee, I should like to make it clear that we have kept in the closest touch with our sister Committees on Trade and Industry and Treasury and Civil Service and have shared our evidence with them in the way that the Standing Orders allow us to do. Indeed, Sir Robert, we have read with interest the evidence which you gave before the Treasury and Civil Service Sub-Committee on 27th November last about the duties and responsibilities of ministers and civil servants, and we may draw on that evidence so far as it affects this case this morning. Sir Robert, it seems to us to be the best way to proceed to ask you any questions we wish about the inquiry, how it was set up, how it was conducted and so forth, and we note particularly in your letter to us that you are going to answer our questions "consistently with the normal conditions of confidence under which the inquiry was conducted". I think, therefore, we should clear up matters of that sort before we come to your findings. Sir Robert, we were told by the Prime Minister in her statement in the House of Commons on 27th January that on 7th January the Attorney General sought your view as to whether it would be appropriate for the law officers to seek a formal inquiry. She went on to say that after discussion between him and you he made clear his view that there should be an inquiry and she went on to say that you minuted her formally on Friday, 10th January, seeking her authority for the institution of such an inquiry. It took apparently, Sir Robert, three days to decide whether there should be or not. Would you like to make any comment on that?

87
(Sir Robert Armstrong) Thank you, Mr Chairman. No, I can confirm the sequence of events and dates which the Prime Minister gave in her speech in the House on 27th January. The Attorney General sought my view on 7th January and I had some conversation with him on 8th January. The 9th January was somewhat taken up with other matters because there was a meeting of the Cabinet that morning which included a rather dramatic occurrence and I did not have much chance to return to this matter during the course of that day. On 10th January I had another conversation with the Attorney General at which he made clear, as the Prime Minister said, his view that there should be an inquiry and I concurred in that view. I accordingly sent the Prime Minister a minute to that effect, which she saw over the weekend, and I learned on Monday morning that she had agreed the inquiry should go ahead.

Mr Douglas

1094. Being somewhat of an innocent in these matters, Sir Robert, was the background to this inquiry normal? Would you consider that a normal method of approach?

(Sir Robert Armstrong) In what respect?

1095. Well, here we have a "leak" of a document emanating from the law office and we take apparently seven days or more to institute an inquiry into a matter which is, or might be, or should be, considered very serious.

81
(Sir Robert Armstrong) As I say, as far as I was concerned, the intervening period was in part taken up with [other matters, and] other pressing matters. It is perfectly normal for it to take two or three days, or even a little longer, to set an inquiry up. Usually, if I am asked whether an inquiry should be set up, I make some inquiries of other departments and satisfy myself that it is, as they say, something that involves a number of departments, and then

I have to seek, if I am in any doubt in the matter, the Prime Minister's agreement. I do not think there is anything exceptional about the fact that it was three days after I was approached when I put this to the Prime Minister.

1096. How many other departments did you have to consult?

87
(Sir Robert Armstrong) Clearly ~~the~~ copies of the letter in question went to the Department of Trade and Industry, to the Ministry of Defence and to the Treasury.

1097. And the Foreign and Commonwealth Office?

(Sir Robert Armstrong) And the Foreign and Commonwealth Office, quite right.

1098. They would have replied expeditiously?

(Sir Robert Armstrong) I talked on the telephone and they were content that an inquiry should take place.

1099. No thought in your mind or anybody else's of involving the police?

100
(Sir Robert Armstrong) I discussed this with the Attorney General and we concluded, in the first instance, as is perfectly normal, there should be an internal inquiry. The arrangement is a regular one, that if we start off with an internal inquiry and that looks as if it is going to reach a point where there may be a question of bringing a charge under the Official Secrets Act, then the matter is turned over to the police at that stage, but that is a perfectly normal drill.

Mr George: May I ask some questions on the mechanics of the inquiry? Was it a one-man inquiry?

Chairman: Excuse me, we are going to come to that point in a moment, Mr George. Can we have any questions on the period before the inquiry started, if you do not mind?

Mr Speed

1100. Sir Robert, on the 7th January when the Attorney General sought your view were you yourself at that time aware of any of the circumstances of the leak?

(Sir Robert Armstrong) I was aware that the Solicitor General's letter had come into the public domain. That was all I was aware of at that stage.

Chairman

1101. Coming to the inquiry itself, I think the Committee would be glad to have a few matters clarified if you can help us. Could you tell us, did this inquiry have set terms of reference? Can you tell us what they were if it did?

(Sir Robert Armstrong) It did not have set terms of reference but, if it had had such terms of reference, it would be to inquire into the circumstances under which the Solicitor General's letter of 6th January became public knowledge.

1102. I wonder if you could tell us how the inquiry was conducted. Was it done by you alone or were there other people there?

(Sir Robert Armstrong) I conducted the inquiry. I had with me a colleague from the Cabinet Office to assist me. I did not wish to conduct the interviews entirely on my own, though I led them, and the colleague was able to assist me to ensure that the account that I made of the matter was not just my own account but was an account which somebody else had - an account to which somebody else who had heard the interviews could endorse. Both he and I made notes of the interviews that we took. We wrote those notes up and the notes were subsequently cleared with the witnesses so as to ensure that they were content that the record was a correct account of what they had said.

1103. Those were the records of your inquiry, the notes made by you and your Cabinet officer?

(Sir Robert Armstrong) There is a single note which represents our record of the interviews that I conducted.

Dr Gilbert

1104. Did the interviewees have, or were they offered, any legal advisers with them, Sir Robert?

(Sir Robert Armstrong) They did not have legal advisers with them.

1105. Were they offered them?

(Sir Robert Armstrong) They did not ask for them.

1106. Were they offered them?

(Sir Robert Armstrong) No. This would be unusual in a leak - an inquiry of this kind, in fact, I think unprecedented.

1107. Were they offered any other assistance, representation, trade union representation with them?

(Sir Robert Armstrong) They asked if they could have their Permanent Secretary in the room with them and I agreed to that.

1108. All of them asked for that?

(Sir Robert Armstrong) They all asked for that - all the Department of Trade and Industry officials.

1109. What about the officials at No. 10?

(Sir Robert Armstrong) We saw them on their own.

1110. Could I ask at this stage how many people did you interview in the course of this inquiry, Sir Robert?

(Sir Robert Armstrong) Five.

1111. How many interviews did you conduct?

(Sir Robert Armstrong) I conducted one interview with each and I subsequently checked some points on the telephone.

1112. With those individuals?

(Sir Robert Armstrong) With the individuals.

1113. I see. Could you name the people you interviewed?

(Sir Robert Armstrong) I should prefer not to do that.

1114. Could you tell us this then: did you interview exclusively officials or did you also interview ministers?

(Sir Robert Armstrong) I told the Prime Minister in submitting the report that I had not interviewed any ministers, that I had interviewed only officials, I did not wish to interview ministers without her agreement, if she wished me to do so I was perfectly ready to do so.

1115. Did you suggest to her it might have been helpful to get a comprehensive report, for you to have interviewed Ministers?

(Sir Robert Armstrong) When I had submitted my report, she herself talked to the Secretary of State for Trade and Industry and I was present. That gave him an opportunity to make his own comments and observations on the findings.

1116. Did it never occur to you, in the course of your investigation, it might have been fruitful for you to have a discussion with the Minister, and that you might wish to seek the Prime Minister's consent to such a proceeding?

(Sir Robert Armstrong) I made it clear to the Prime Minister, I was prepared to do that if that was agreeable.

1117. At what stage did you say that to the Prime Minister?

(Sir Robert Armstrong) When I put my report in.

1118. Not until then?

(Sir Robert Armstrong) Not until then.

Chairman

1119. I think there is one other matter which we would like to ask you about in this connection, Sir Robert. There have been stories that some kind of immunity was granted to one of the people involved in this affair. Can you enlighten us about that?

(Sir Robert Armstrong) I think that the Prime Minister's statement on 23rd January made that quite clear, did it not? If the Committee would like me to supplement that in any way, of course, I will try to do so.

Dr Gilbert

1120. Can you give us the reference for that please?

(Sir Robert Armstrong) I think it was the last paragraph

in her statement of 23rd January. Hansard of that date, column 450 to 451.

Chairman

1121. Thank you. That was the only official you say to whom that applied?

(Sir Robert Armstrong) Yes.

1122. Can you tell the Committee if this is a normal proceeding?

(Sir Robert Armstrong) I have not heard of it done in a previous inquiry, but in this case I believed that I should be addressing the person who had actually passed the document, or passed the information rather, because no document was passed. It was evident that a truthful answer could be an incriminating answer and it seemed, therefore, likely to me that the person concerned might wish to know what the position would be in the event of a truthful answer being given. I did not wish to hold the process up by having, as it were, to go away again and seek the Attorney's authority, and I therefore discussed the matter with him on, as you might say, a contingency basis, having reason to believe that I should be asked what the position was. Sure enough, I was asked what the position was.

Mr Churchill

1123. The Attorney General, in reply to oral questions on 3rd February in Hansard, column 15, says, ~~apropos~~ this, "the information officer was refusing to give evidence unless she had immunity." Can you confirm that was the case?

(Sir Robert Armstrong) She did not use those words, she asked what her position would be, from which I certainly took it that if she believed that she might be incriminating herself in a way which would lead to prosecution, she might be

less willing to co-operate fully with my inquiry.

1124. Is there no obligation on officials to give evidence in such circumstances without the offer of immunity?

(Sir Robert Armstrong) I know of no obligation special to civil servants which would require them to incriminate themselves, which is different from that for other people.

1125. You mentioned earlier that it was unusual, if not unique, in your experience for immunity to be granted under such circumstances. Of course there have been several cases, have there not, security cases, when immunity has been granted to members of the Civil Service?

(Sir Robert Armstrong) I can think of only one case in which immunity was authorised and granted, and that was the case of Anthony Blunt. That is the only one which comes to my mind immediately.

1126. It is certainly not an automatic feature of such inquiries?

(Sir Robert Armstrong) Not an automatic feature of leak inquiries.

Dr Gilbert

1127. It is not the case then that you went to the Attorney and invited him to give you blanket authority to issue immunity?

(Sir Robert Armstrong) Certainly not, and I am sure he would not have given it to me if I had asked.

1128. You went just in respect to one individual?

(Sir Robert Armstrong) Yes.

1129. Coming back, if I might, to the interviews with these five officials, was anybody outside No. 10 or the DTI interviewed by you?

(Sir Robert Armstrong) No.

1130. Can you tell us how long the interviews lasted?

(Sir Robert Armstrong) Not without notice. I can tell you, but I have not got the figures in mind.

1131. Could you give us some feel of it? Ball-park figures? Ten minutes? An hour?

(Sir Robert Armstrong) Three-quarters to an hour each.

1132. Was there any significance to the sequence in which you arranged the interviews? Did you, for example, go to all the DTI officials first and subsequently to those in No. 10, or the other way around?

(Sir Robert Armstrong) I went first to the person who I had some reason to believe had passed the information, who was an official of the DTI, and having conducted that interview I then conducted interviews with other people in the DTI concerned, consecutively, as it were.

1133. "Other people in the DTI", so three in the DTI, in other words?

(Sir Robert Armstrong) As I said.

1134. Were any of the interviewees confronted with a record of what the other interviewees had said to you? Did they have any chance to comment on what other people had said to you?

(Sir Robert Armstrong) Yes.

1135. This was in the subsequent telephone calls?

(Sir Robert Armstrong) No, that was in the interviews that I conducted. I was able to ask questions in which I made it clear that I had had a certain account of matters from earlier witnesses, and I asked for the subsequent witnesses to confirm or correct that account.

1136. Indeed, but I am just a little puzzled on that point. You told us your first interview was with an official in the DTI, who you had reason to believe was the individual who had passed the information to the Press Association? Correct?

(Sir Robert Armstrong) Right.

1137. What chance did that individual have of commenting subsequently, if you did not have a further interview with that official, on the interviews given to you by the other officials with whom you spoke?

(Sir Robert Armstrong) I had a subsequent telephone conversation but that was the only such thing. I do not feel there was any miscarriage of justice in that.

1138. Could you give us some idea of how long that telephone conversation lasted?

(Sir Robert Armstrong) A few minutes, I cannot remember.

1139. To cover all the information that the other four witnesses had given?

(Sir Robert Armstrong) No, it was not necessary to do that.

1140. What was it necessary to do?

(Sir Robert Armstrong) There was one point on which I wanted to check. There was clearly no point in checking whether the records were in parallel were there were not differences to be reconciled.

1141. But the witnesses were giving you conflicting accounts of what happened, were they not? We were told of misunderstandings, so clearly they must have been giving you different accounts of what had happened?

(Sir Robert Armstrong) That was the point I checked on the telephone.

1142. Was there a misunderstanding, just put like that?

(Sir Robert Armstrong) No, I do not want to go into detail about this, because that would be a breach of confidence, but clearly I went further into the matter than that.

Mr George

1143. Was there some form of position paper presented to you prior to the commencement of your inquiries?

(Sir Robert Armstrong) No. What position paper would you be thinking of?

1144. I was thinking that you would not go blindly into an inquiry, perhaps you would seek information as a preparation for your inquiry?

(Sir Robert Armstrong) I certainly made some preliminary inquiries, but the outcome of those did not take the form of a position paper.

1145. Did you think your inquiry was able to get to the heart of the matter, if you were only able to interview five potential suspects?

(Sir Robert Armstrong) I believe that I know what happened, yes.

1146. You mean you believed you knew what happened before you started the inquiry?

(Sir Robert Armstrong) No. I believe as a result of the inquiry I know what happened. I do not believe I needed to conduct further inquiries of other people in order to know more of what happened.

1147. But as non-civil servants were clearly involved, would it not have been more appropriate at least for the sake of the outside world believing the inquiry was a reasonable one,

if more than civil servants were involved?

(Sir Robert Armstrong) Are you meaning Ministers?

1148. Ministers, yes, and the Prime Minister.

(Sir Robert Armstrong) My inquiry was confined to officials. As I say, there was a subsequent meeting between the Prime Minister and the Secretary of State for Trade and Industry at which I was present, where the findings were able to be gone over.

1149. May I ask why it is not possible to reveal the names of the people you interviewed?

(Sir Robert Armstrong) The process was conducted in confidence and I think it would be preferable not to give the names of those concerned.

1150. It might be preferable -----

(Sir Robert Armstrong) In their own interests.

1151. ---- but our Committee is conducting an inquiry, for which we are empowered by a large majority in Parliament so to do. We are not asking - at least, I am not - for a copy of the report, which I would like but I am not asking for it. Is it not within the public interest and within the scope of this Committee at least to find out who actually was interviewed?

(Sir Robert Armstrong) I am sure you know the officials I interviewed perfectly well, Mr George, without my naming them.

1152. Is it not possible to confirm that?

(Sir Robert Armstrong) I should prefer not to.

Dr Gilbert: I cannot imagine who the fifth one was, but I am working very hard on it.

Mr Marshall

1153. On this question of your background to the inquiry, I wonder if you could say whether you were influenced in your approach by your recent thinking on the question of civil servants' and Ministers' duties and responsibilities in relation to the memorandum which you submitted to the Treasury and Civil Service Committee? I do not want to get into the substance of that particular inquiry, but in paragraph 6 of your memorandum to it I think you draw what is seen at that time as a distinction between carrying out policies on behalf of the Ministers, which in some senses was seen as an up-dating, as I read it, of the implications of the Official Secrets Act - would you agree with that?

(Sir Robert Armstrong) May I refresh my memory of that paragraph before I reply to that question?

1154. Paragraph 6 on page 2. If I can just quote the particular passage which concerns me, for the benefit of the Committee: "A civil servant who felt that, because of personal moral convictions, he could not carry out a particular policy effectively would have a duty to consult a superior officer ..." et cetera, et cetera. The substance of that paragraph, as I read it, is large an amplification or up-date of the situation in which civil servants might have to take actions on behalf of Ministers with which they do not agree, in the terms I have just mentioned. Do you have it?

(Sir Robert Armstrong) Yes, I have it. I am sorry I was looking at the original memorandum and not the subsequent document which went to the Treasury and Civil Service Committee.

1155. On page 5 of that report, in the questions which were put to you in writing before you gave evidence to the Treasury

and Civil Service Sub-Committee, you are asked: "Are there circumstances when a Minister could require a civil servant to release information in a manner contrary to obligations under the Official Secrets Act and the memorandum?" To which you replied: "Section 2 of the Official Secrets Act 1911 does not prohibit the authorised release of information. Nothing in Section 2 or in the note of guidance prevents the release of information with the responsible Minister's authority." May I take it, that at the time of your inquiry your position was that you were taking those as effective guidelines?

(Sir Robert Armstrong) I am not, I am afraid, quite sure how this bears on it. The inquiry was to find out what happened.

1156. Indeed, the only guidance that I am able to trace affecting civil servants in the situation in which you were examining, appears to relate to matters of policy, carrying out matters of policy. What I am seeking to ask is whether in fact your inquiry raised the question of actions on the part of civil servants as opposed to carrying out matters of policy on behalf of Ministers. I can see a distinction in the background of your inquiry which took you outside the terms of what you had, I think, previously identified in evidence to the Treasury and Civil Service Committee as guidelines for civil servants acting on behalf of their Ministers?

(Sir Robert Armstrong) I do not think that the matters that were covered in my memorandum or in that evidence to the Treasury and Civil Service Committee were foremost in my mind in thinking about the background to the inquiry. I was concerned to find out what had happened. When I had found out what happened, then these other questions would, of course, arise, but it did not feature prominently in my mind as a background to the inquiry, no.

1157. But you were concerned there was a possible breach of the Official Secrets Act which had to be considered as your inquiry began, and that was the whole question of indemnity and so on?

(Sir Robert Armstrong) The question of breaches of the Official Secrets Act is more for the law officers or Director of Public Prosecutions than for me; I was concerned to find out the facts. When I had completed my inquiry and submitted my report to the Prime Minister, the report went also to the Attorney General and it was for him to take a decision in relation to the Official Secrets Act, and his view on that matter was reported in the Prime Minister's statement on 23rd January.

1158. Is it not the case that at the moment the guidance for civil servants appears to relate solely to carrying out policy on behalf of the Ministers, but does not relate to actions which they themselves might carry out on the instructions of Ministers? Is there not a problem on the present guidelines which does not cover actions as opposed to implementing policy?

(Sir Robert Armstrong) I think if you refer back to the original memorandum of 25th February, on which the evidence to the Treasury and Civil Service Committee was based, you would find that paragraphs 8 and 9 of that memorandum, and indeed paragraph 11, cover actions as well as policy matters.

1159. Yes, I recognise that, but would you not say there is a problem arising from this recent investigation which does suggest there perhaps is a need, particularly in sensitive areas such as defence, to give more tightly drawn background advice for civil servants?

(Sir Robert Armstrong) I should certainly like to think about that. I think that guidance given in the memorandum could in fact have been thought to have covered the situation there, but I think that comes, as it were, as a result of the inquiry rather than anything connected to the background to the inquiry.

Chairman: I think this is really more a matter for the Treasury and Civil Service Committee than us.

Mr Marshall: The precise point I am making, Chairman, is that on sensitive matters, such as defence, there are particular aspects for consideration, and that was the point I was putting to Sir Robert.

Mr Speed

1160. Could I ask you one thing, Sir Robert, to clear my mind on this question of the inquiry you were carrying out. As I understand it, after you completed the inquiry, when you saw the Prime Minister, it was then for consideration whether one had discussions with Ministers, but did you have the power as the head of the inquiry to have interviewed ministers yourself during the course of the inquiry?

(Sir Robert Armstrong) The normal rule with leak investigations, is that if the question arises of the investigator interviewing Ministers, the Prime Minister's authority is sought.

1161. The normal rule laid down by whom?

(Sir Robert Armstrong) By successive Prime Ministers.

1162. So it is a matter of precedent but not an actual rule? It is not the law of the land, it is custom?

(Sir Robert Armstrong) It is not the law of the land. It is the custom when you set up an inquiry of this kind,

if it appears necessary to interview Ministers, to ensure that the Prime Minister's agreement is sought before that is done.

1163. But you did not seek the Prime Minister's agreement before you completed the inquiry?

(Sir Robert Armstrong) I completed my inquiry to the stage of having interviewed all the officials I thought it necessary to interview. I then reported and said I was ready to interview Ministers, if she wished me to do so.

1164. You were ready, did you actually wish to interview Ministers?

(Sir Robert Armstrong) I was perfectly ready to do so.

1165. Obviously you were ready - you are ready at any time - did you actually ask the Prime Minister if you could interview Ministers?

(Sir Robert Armstrong) I did not ask her because I thought she might wish to discuss the matter with the Secretary of State herself, which she did, in my presence.

1166. But that did not then affect the report that you had done in any way at all?

(Sir Robert Armstrong) The Secretary of State was content and agreed with the findings I had reached.

1167. And the Prime Minister?

(Sir Robert Armstrong) And the Prime Minister.

Mr Douglas

1168. I wonder if you could clear up one or two technical points for me. You were taking evidence from these five officials, did you ask any of them to submit evidence to you on oath?

(Sir Robert Armstrong) No, it was not that kind of inquiry. That, I think, would have been unique in my experience of this kind of internal inquiry.

1169. These telephone calls that you were undertaking with some of the individuals, if not all of them. How were they recorded? Were they taped?

(Sir Robert Armstrong) No.

1170. Did you have notes of them?

(Sir Robert Armstrong) I made some notes. They were not sufficiently important, in my judgment, to make formal notes.

1171. Could I ask what happened to your notes, your background notes, on which your final report to the Prime Minister was based? What has happened to them?

(Sir Robert Armstrong) I have them.

1172. When the final report was made, when you had the final report and you submitted it to the Prime Minister, did the five individuals, or any of the individuals, get a copy of that report simultaneously?

(Sir Robert Armstrong) No.

Dr Gilbert

1173. Following on from Mr Marshall's questions, can I ask you whether you considered the leaking, selectively, of a letter from the Solicitor General to the Secretary of State for Defence an improper act?

(Sir Robert Armstrong) I think it would have been much better not to have disclosed the information in that way.

1174. Do you find difficulty in answering my question directly?

(Sir Robert Armstrong) There is a clear rule that one does not disclose the advice of the law officers, and therefore it was very regrettable that that was done. It should not have been done.

1175. Would you have expected the people you interviewed to regard the leaking of this letter as an improper act?

(Sir Robert Armstrong) I wished that they had that consideration in their minds. Some of them, I think, did; some of them, I think, did not.

1176. Did you ask them specifically?

(Sir Robert Armstrong) Yes.

1177. All of them?

(Sir Robert Armstrong) Yes.

1178. Bearing that in mind, did you ask them whether any of them consulted a superior officer either before or after the letter was leaked?

(Sir Robert Armstrong) Some of them certainly would have liked to do so, but the superior officer whom they wished to consult was out of London and not available to be consulted.

1179. I see. Could I ask, so we can clarify this, the senior officer or top senior officer at the Department of Trade and Industry would, of course, be the Permanent Secretary, if not somebody before?

(Sir Robert Armstrong) Correct.

1180. Who would the senior officer be for the press secretary to No. 10?

(Sir Robert Armstrong) He would discuss the matter principally with the Private Secretary at No. 10 or, failing that, he could come and talk to me.

1181. Who would he normally regard as his superior officer, in these terms?

(Sir Robert Armstrong) I think in terms of the memorandum of guidance, he would regard me, as the head of the Cabinet Office.

1182. Did he consult you?

(Sir Robert Armstrong) He did not consult me in this matter.

Mr Mates

1183. When you were conducting the inquiry which was specific to the leak, did you look or consider the background which had led to perhaps some of the feeling which was motivating departments? Did you look at, if I dare mention the word, Westlands for the first time this morning, did you consider the tensions that there had clearly been between the two departments of State and try to make an assessment from them or for yourself as to how this misunderstanding had come about?

(Sir Robert Armstrong) Yes, they were certainly part of the background to my inquiry and the fact those tensions existed was a matter to which I think all of those whom I interviewed drew my attention.

1184. Could you share your conclusions with us as to how the various tensions and the pressures that were being applied led civil servants to take what you describe as "regrettable action"? Do you believe that was a major part of it?

(Sir Robert Armstrong) I think that a much more important element in that was the time constraint which they were under on the day in question. I am not trying to avoid your question, Mr Mates, but by way of introduction to it I think it is right to say that all those concerned were very much seized of the fact that there was to be a press conference at 4 o'clock that afternoon at which the Chairman of Westlands was going to announce the revised proposal by the United Technologies Corporation/Fiat consortium. Everybody concerned was well aware that Sir John Cuckney had written to the Prime Minister on 30th December, that the Prime Minister had replied on 1st January and that Sir John Cuckney and the Board of Westlands were relying on that letter and that the letter which

the then Secretary of State for Defence sent on 30th January had materially differed from the Prime Minister's letter in one respect. They knew that some question had been raised about the Defence Secretary's letter. They were very much seized with the need to establish in people's minds before the press conference that there were some doubts in the air about the matter. I think that that time constraint was much the largest factor in what was not done as it should have been done. I think that a contributory factor was the long drawn out background, of which I am sure you have heard in previous evidence. A background in which the policy of the Government was that it was for the Company to decide what course was best to follow in the interests of the Company and of the shareholders and the employees and certainly by some it was felt that the even-handed approach that that implied was being more whole-heartedly sustained in some quarters than other's.

Chairman: I think it would be helpful to the Committee in a moment for us to ask you what happened? You told us you discovered what happened, I think before we inquire much further we would like to hear from you. I think Mr Douglas has one question left on the mechanics?

Mr Douglas

1185. Strictly speaking, Chairman, it is not the mechanics, it is following up your answer to Dr Gilbert in relation to your regretting what happened happening in terms of civil servants. In Annex A in this document of Minutes of House of Commons, page 8, paragraph 6 - I believe these are your words, Sir Robert - I quote: "...There is and must be a general duty upon every civil servant, serving or retired, not to disclose, in breach of that obligation, any document or information or detail about the

course of business, which has come his or her way in the course of duty as a civil servant. Whether such disclosure is done from political or personal motives, or for pecuniary gain, and quite apart from liability to prosecution under the Official Secrets Acts, the civil servant concerned forfeits the trust that is put in him or her as a servant of the Crown, and may well forfeit the right to continue in the service..." These are your words, Sir Robert, I take it that all the civil servants concerned you interviewed had a copy of this particular document?

(Sir Robert Armstrong) I cannot say, as to that, whether they had all seen it. I did not myself thrust it into their hands but it was widely circulated.

1186. You did not check on the basis of your inquiry into such disclosure whether or not the civil servants were of a higher rank and had read this document?

(Sir Robert Armstrong) I think this question really arises much later.

1187. It may very well, Sir Robert, I was hoping you would be willing to answer it now?

(Sir Robert Armstrong) I did not ask them whether they had read this document. I assumed all concerned had read it or were aware of their obligations.

Chairman

1188. You told us earlier that as a result of your inquiry you know what happened?

(Sir Robert Armstrong) I hope I said I think I know what happened?

1189. Very well. Can you tell the Committee what you think happened?

(Sir Robert Armstrong) Where does one start, I think I start on the morning of the 6th January when the Solicitor General came into his office and refreshed his memory of the documents which he had seen in connection with the earlier phases of the matter, in particular the Prime Minister's letter of 1st January, and decided that he would send a letter to the then Secretary of State for Defence saying he had seen the Secretary of State's letter of 3rd January to Mr Horne of Lloyds' Merchant Bank; on the basis of information available to him it appeared to contain material inaccuracies and advising he should write again to Mr Horne correcting those inaccuracies. That letter was signed at about a quarter past 11 that morning and it was sent to the Defence Secretary's office and copies were sent to other departments, other ministers including the Secretary of State for Trade and Industry. The letter came to the attention of the Secretary of State's private secretary at around 1 o'clock or shortly before ---

1190. Which Secretary of State?

(Sir Robert Armstrong) Trade and Industry. It will become clear to you why I am concentrating on that particular department. --- at 1 o'clock or shortly before, after the Secretary of State had left the office for a luncheon engagement. It happened that at the time when the letter came into the office the under secretary in charge of air division was in the private office, so that both of them saw the letter more or less together. Both of them saw the significance of the letter and the importance, if indeed there were inaccuracies, in the Defence Secretary's letter of 3rd January of getting that fact into the public domain as soon as possible and before the press conference which was due to be held at 4 o'clock. The private secretary thereupon rang the Secretary of State up on the telephone at his luncheon engagement and he put the matter

to him. The evidence which I received suggests he put it to him neutrally. He read the letter over to the Secretary of State and he said that the question we have to consider is whether the fact that the Secretary of State has written and the opinion he has expressed should come into the public domain and if so whether that should be in general or in specific terms. The Secretary of State responded that he thought it should go into the public domain and it should be done in specific terms but that Number 10, the Prime Minister's office should be consulted. I suppose by now it was, I do not know, quarter past 1, twenty past 1, something around about that time; it is impossible to say exact times but near enough. After that conversation there were two conversations with 10 Downing Street and it was in these conversations that the difference of understanding which has been referred to arose. I have naturally gone over the ground of these conversations carefully with all those concerned and the strange thing is that the accounts of the conversations largely coincide in terms of facts, you cannot expect precise similarities and wording when people are remembering what was said ten days or a fortnight later or whatever it was. What clearly differed was the way in which people concerned were looking, were viewing the matter, were viewing the conversations they were having. It was in that, that I think the problem of the difference arose. At any rate, I think what was clear at the end of the conversations was that the Prime Minister's office and the people to whom the DTI spoke accepted that the DTI should make the disclosure and agreed that in the time available the only way - practical way - of getting the matter into the public domain within the time constraint (the 4 o'clock deadline) was the method that was eventually adopted. I do not think there is any disagreement

on that point. Those conversations having taken place the Department of Trade and Industry considered that they had the authority of their Secretary of State and cover from Number 10 and, accordingly, the official concerned spoke to the Press Association and told the Press Association that the Solicitor General had written this letter and in summary what views were expressed in it. I suppose that must have been by now somewhere about 2 o'clock, I do not know exactly. I understand that it was on the tapes at 2.53, on the one lot of tapes at 2.53 and on another, what they call the club tapes, at half past three. So that the information was indeed in the public domain in good time before the press conference took place. The Company was told of the Solicitor General's letter before the conference took place but just in case there would be questions at the conference and then, as I understand it, they themselves saw the tape extracts before the conference began.

1191. Thank you, Sir Robert. I think one of the strangest features of this affair is that somebody authorised the disclosure to the press of a law officer's letter which even if it had not been marked private and confidential would have been an improper thing to do. Does your inquiry lead you to any conclusions as to who gave that authorisation?

(Sir Robert Armstrong) I am clear that the authority for the disclosure was given by the Secretary of State for Trade and Industry and I think it is clear from what has been said in the House of Commons that he did take the view that the fact that the Solicitor General had written as well as the opinion he expressed, should, as he put it, be brought into the public domain. How far he addressed his mind to the fact that this was the Solicitor General's letter and to the discourtesy or impropriety or unwisdom of it being disclosed from his department, I do not know.

1192. Are you satisfied, Sir Robert, that the then Secretary of State for Trade and Industry's statement in the House, which is, of course, what we have to go on, on the 27th January, where he said: "... I was given the authority for the disclosure of the Solicitor General's letter to be made..." are you satisfied that that authority included the precise nature of the way in which it was disclosed?

(Sir Robert Armstrong) Can I refresh my memory of what he said?

1193. Please, volume 671 of the Hansard of 27th January. Let me read it again for you: "... I made it clear to my officers at the Department of Trade and Industry that subject to the agreement of Number 10 I was given the authority for the disclosure of the Solicitor General's letter to be made...". I want to go back to the conditional clause in a moment but was it your view that the authority which he says he gave included the authority to make the disclosure in that particular way?

(Sir Robert Armstrong) Can I complete the paragraph please, Mr Chairman, after the sentence you read out Mr Brittan went on to say: "... I therefore accept full responsibility for the fact and the form of that disclosure."

1194. Yes?

(Sir Robert Armstrong) I am only speculating on the basis of the inquiry which I conducted.

1195. Of course.

(Sir Robert Armstrong) But I would judge that the Secretary of State knew and gave authority, as it were, knowingly for the fact that the Solicitor General had written and for it to be disclosed. I would doubt whether he was consulted about the precise method

by which it would be done.

1196. I see. Going back to that statement again, what the then Secretary of State for Trade and Industry says is that he was given the authority subject to the agreement of Number 10. When you told us a few moments ago about what happened you used the word "consultation", this statement indicates that his instructions were to obtain the agreement of Number 10. There is a slight difference.

(Sir Robert Armstrong) I do not think he used the words "subject to the agreement of" in the telephone conversation which took place on 6th January which is the relevant telephone conversation, I think he used words which were taken to mean that but I do not think as far as I can discover he did not use those exact words.

Dr Gilbert

1197. You did not ask him so you did not have his version of it?

(Sir Robert Armstrong) He would not contest what I heard from his officers, he did not contest what I heard from the officials.

1198. How do you know he did not contest it if you did not have a discussion?

(Sir Robert Armstrong) As I told the Committee I was present when he had the discussion with the Prime Minister on the evening of 22nd January.

Chairman

1199. Can I ask you just two more questions on this, if I heard you correctly you said that the Prime Minister's office accepted that the Department of Trade and Industry should disclose the contents of the letter, does that mean that the Department of Trade and Industry asked to be able to it or did they ask Number 10 to do it?

(Sir Robert Armstrong) They made it clear, as they were instructed, they asked whether Number 10 were going to do it or would do it, they made it clear it was their Secretary of State's preference. It was made clear to them Number 10 were not going to disclose it but as the conversation continued Number 10 made it clear, given they had their Secretary of State's authority to proceed, they accepted they were not objecting to the DTI agreement.

1200. One other thing you said, which I noted, it was that the Company was told separately of the Solicitor General's letter before the press conference that was to happen that afternoon did your inquiries disclosed how that was done?

(Sir Robert Armstrong) On the telephone.

1201. When and by whom?

(Sir Robert Armstrong) By officials of the DTI.

1202. Before the press conference?

(Sir Robert Armstrong) Before the press conference.

Mr Mates

1203. I do not think it is quite as much the manner of the disclosure whether it was the PA or a named journalist which worried people but what did your inquiries lead you to conclude about the most fundamental part of the Solicitor General's complaint in this latter letter which was the terms, in other words the selected pieces of the letter which were disclosed, did your inquiries lead you to discover how the conclusion was come to, that those bits which were in this misleading statement were the only ones disclosed to the PA?

(Sir Robert Armstrong) As far as I can judge this was done by telephone, therefore there was not a question of releasing the whole text. I think it was semi-verbatim but not absolutely verbatim, clearly some words were used which came from the letter.

This phrase "material inaccuracies" was clearly used in the telephone communication to the Press Association. I think the DTI officials concerned marked those bits which needed to be disclosed in order to comply with what their Secretary of State had said he wanted in the public domain; the fact the Solicitor General's letter had been written and the opinion he expressed.

1204. Do you believe there was any element in that, going back to the strength of feeling between the two departments which we were expressing a little earlier?

(Sir Robert Armstrong) No I think the relevant opinion --- I do not think there was any malice in the choice of what was said, I think it was simply chosen to get into the public domain the fact the Solicitor General advised, on the information available to him, there were material inaccuracies in the Defence Secretary's letter of 3rd January.

1205. You would agree, would you not, if the whole letter had gone out it would not have appeared as damaging as it did?

(Sir Robert Armstrong) I do not know the answer to that. I think it would still have appeared that the Solicitor General was suggesting that there were material inaccuracies in the letter of 3rd January, that would have been to some extent qualified by other matters in the letter but I think what the effect would have been, as far as I am concerned is a matter of pure speculation.

1206. When you began your inquiry had you seen the second letter from the Solicitor General?

(Sir Robert Armstrong) Yes by the time I started I had seen both the Defence Secretary's reply to the first letter and the Solicitor General's second letter.

1207. Did you think at the time it would have been helpful to

do the whole thing up and clear away the uncertainties if it had been released rather more quickly?

(Sir Robert Armstrong) I did not address my mind to that.

1208. You did not. It did not seem to you to be one way out of the problem?

(Sir Robert Armstrong) It did not seem to me to go to the centre of the matter with which I was inquiring which was the circumstance in which the Solicitor General's first letter had come to be disclosed.

1209. Finally, the imperative of putting this into the public domain before the press conference, were you satisfied that the press conference was that vital that it was imperative, in other words the judgment behind the decision was the correct one?

(Sir Robert Armstrong) I think for the purpose of my inquiry the important point was the fact that it was thought to be imperative and clearly that judgment was made and taken and accepted by all concerned as being a very important constraint on the actions that were taken; constraint in the sense it implied something to be done extremely quickly. I do not know that I am the right person to answer your second question, I have made some inquiries about it and I think the answer is yes it was if not essential very desirable, given that the Company were relying on the Prime Minister's letter of 1st January for the purpose of their dealings with both these consortia, it was important before they had a press conference at which the revised offer by one of them was to be announced that if there was any doubt about the point in the Secretary of State for Defence's letter of 3rd January, which had been made public, that fact

ought to be known. I think that was a perfectly valid consideration, the exact weight one should lay upon it. I do not know I am the right person to judge.

Chairman

1210. Sir Robert, how much did you address your mind to the issues prior to effecting the Solicitor General's letter prior to 6th January?

(Sir Robert Armstrong) In my opinion?

1211. Yes?

(Sir Robert Armstrong) I made some inquiry about the events over the previous weekend.

1212. Did you ascertain in any way who could anticipate it, Number 10 or any other department, which department could anticipate the Solicitor General writing the letter of 6th January?

(Sir Robert Armstrong) Could you phrase that question again?

1213. I do not want to mislead you or the Committee, or anyone else, but my impression is that the Department of Trade and Industry were not absolutely sure that the Solicitor General was going to write a letter but, on the other hand, Number 10 were highly sure, maybe 100 per cent sure, the Solicitor General was going to write the letter?

(Sir Robert Armstrong) My own inquiry would not support either of those conclusions in quite the way you have put them, and the second one at all. The Secretary of State for Trade and Industry and one or two officials were aware, because the Secretary of State for Trade and Industry had actually conveyed the message to the Solicitor General, that he was being asked to consider the letter of the 3rd January and to consider whether he had any opinion to express upon it. It is on the public record, I think, that on that Saturday, the 4th January, the Solicitor General had a message from the Prime Minister asking him to consider writing but I do not think that anybody knew that he was going to write; I do not think he himself knew he was going to write until he went into the office on Monday morning.

1214. The balance of probability between the two departments concerned here, the one who had a better chance of anticipating the letter from their knowledge and direct communication with the Solicitor General, would I be unfair in suggesting that was Number 10?

(Sir Robert Armstrong) I would have thought it was equal really.

1215. You think it was equal?

(Sir Robert Armstrong) I am not aware of any marked distinction between the two in this respect.

1216. You have given us some times in terms of the receipt of the Solicitor General's letter, are you absolutely sure of the sequence of telephone conversations that you have told us about, that the first call out was from the DTI office to the Secretary of State?

(Sir Robert Armstrong) Absolutely sure. My understanding is a private secretary at the Department of Trade and Industry did, in fact, try to contact Number 10 before he spoke to his Secretary of State but the private secretary's line concerned was engaged and he, therefore, spoke to his Secretary of State and then to Number 10.

1217. There were no other calls either from 11.30 or prior to 11.30 on that morning from Number 10 to the Department of Trade and Industry saying, in effect, "We can anticipate getting a copy of the letter from the Solicitor General"?

(Sir Robert Armstrong) I asked that; I have no evidence there were such calls.

1218. There was a complete denial?

(Sir Robert Armstrong) There were calls earlier in the morning about the general situation but not about the Solicitor General's letter.

1219. Why was it necessary to get this letter into the public domain when the Department of Trade and Industry made preparations for a press statement to be issued that day at Westland by the Secretary of State?

(Sir Robert Armstrong) I do not know the answer to that.

1220. Did you know of the press statement?

(Sir Robert Armstrong) I did not know there was a press statement issued that day.

1221. I have the press statement here dated 6th January from the Department of Trade and Industry. I do not want to mislead the Committee or anybody else. No-one in the Department said they were preparing

to issue a press statement and in some way - I am not sure of the detail of it myself but it is here - in some way this went out and you needed to add to that the Solicitor General's letter?

(Sir Robert Armstrong) There was no suggestion in my inquiry that any consideration was given to using that statement as a vehicle for getting this information into the public domain.

1222. Can I just round off these questions again by referring to Annex A in the document in paragraph five, where in your words you say: "Civil servants are in breach of their duty if they deliberately withhold relevant information from their minister, or if they give their minister other advice than the best they believe they can give." Do you believe the minister was given the best advice in relation to the release of the Solicitor General's letter on that day?

(Sir Robert Armstrong) My inquiry suggests that there was no advice, he was presented with the issue and asked for a decision, presented with the factors and asked for a decision. Those who heard this call and who took part in it have said it was put to him - I think the phrase was "deadpan".

1223. I have never listened into a civil servant's conversation but I find it incredible that the civil servant who has the documents in front of him does not say "The balance of advantage, minister, is to either withhold this, we sit on it because we have got a press release or we leak it." There is no indication whatsoever of that type of advice going to the minister one way or the other - "deadpan".

(Sir Robert Armstrong) That is what I was told in my inquiry and I think that is perfectly credible. Any civil servant will tell you that there are times when you present a matter with the same kind of expression as you said "balance of advantage, this or that" and there are other occasions, particularly when the judgment is essentially

a highly political one, when you will present the facts and considerations and invite the minister to make his own judgment.

1224. I can see you doing that in face-to-face circumstances, Sir Robert, but not over the telephone.

(Sir Robert Armstrong) I can assure you I have done it myself in different matters.

1225. You may have the Armstrong alchemy that does not apply to a Douglas!

(Sir Robert Armstrong) We both come from the same part of the world.

Mr Leigh

1226. Sir Robert, it took three-quarters of an hour this morning, interesting as your evidence has been, for the word "Westland" to be mentioned and I want to return to the defence implications of Westland PLC because, of course, you will be aware of the way that the Select Committees were set up following a speech by the then Leader of the House on the 25th June 1979 to inquire into particular departments and that is what we want to concentrate on. In the course of your inquiry can you tell the Committee what particular defence implications emerged, say, concerning the national security of our country?

(Sir Robert Armstrong) I know of none.

Mr Leigh: You know of none. Thank you very much.

Mr Churchill

1227. Sir Robert, when the officials of the DTI consulted Number 10 was any caveat entered by Number 10 officials relative to the desirability or otherwise of disclosing a confidential letter from a law officer?

(Sir Robert Armstrong) I do not think there was at that specific point, no.

1228. Was any reason given by those officials why they would prefer the disclosure to be made by the DTI rather than by Number 10?

(Sir Robert Armstrong) The DTI is the sponsoring department for Westland and I think that was the consideration.

Mr George

1229. Is it true, Sir, that Ministers are taught formally on taking office about the special confidentiality ruling attached to advice from law officers?

(Sir Robert Armstrong) I believe that is right. I only say that because I have not got the documents immediately to hand to check.

1230. That would even be given to people who have a legal background and who might be expected to know. Is it a matter of course that ministers are told this?

(Sir Robert Armstrong) I think it is probably a matter of actual course, yes. It is also a matter, if I may say so, of commonsense, that in ordinary business life you do not disclose legal advice, it is up to the client to decide that.

1231. I would have thought it is commonsense. You said a few minutes ago you "think" you know the source of the leak, could you elaborate on that?

(Sir Robert Armstrong) I am sorry, I did not say that, I said I thought I knew what had happened. I am sure I know the source of the leak. I think I know what happened on that day. There are obviously bits of it which, if I say that, what I am saying is I think on the basis of what I have heard that I can understand what happened and in that sense I think I know what happened.

1232. Do you think historians will judge your investigation really did get to the heart of the matter, or maybe even sooner than historians, contemporaries would regard your inquiry as valid, having got to the heart of the matter?

(Sir Robert Armstrong) I cannot tell you what historians will say about it, I am afraid. I think I did find out what happened.

1233. I do not want to be mischievous, or perhaps I do, but over the weekend a very reputable journalist - they are mostly reputable people, journalists - at the Observer said that you were having second thoughts about your conclusions, is this absolutely untrue?

(Sir Robert Armstrong) I read that when I came back from my meeting in the United States and it is totally fictitious. I do not know where the journalist got it from, he is, as you say, a reputable journalist. That was totally fictitious, I have had no second thoughts or doubts about the matter. It was also totally fictitious that two officials in the Department of Trade and Industry had said that they disagreed with my findings, first of all they had not seen my report and, secondly, they had never said anything of the kind, or so they both assured me.

1234. Could they be shown the report because I assume they are privy to the same limit as we are on report conclusions?

(Sir Robert Armstrong) They know what is in the public domain because of what the Prime Minister said in her statement on 23rd January and her speech of 27th January. That is founded, to a large degree, on that report and they know what is said and they are content with it.

Mr George: Could you comment on the differences, or discrepancies, between Mrs Thatcher's first account to parliament on the leak and the second account, and whether there is any difference between the first and the second in your report?

Chairman: Before Sir Robert answers that question I wonder whether you think, on reflection, that is a reasonable question to ask the witness to comment on, alleged discrepancies in the speech of the

Prime Minister? I am not stopping you asking any question you would like but I wonder if you would like to think about it again?

Mr George

1235. I do not expect to get an answer but I think it is a reasonable question to ask.

(Sir Robert Armstrong) I do not think it is a question I would answer in general terms at all. If there were particular points that you wish to ask about I would obviously do my best to help but as far as I am aware the statement and the speech are consistent with each other and consistent with my report.

1236. The last question, I am not sure whether I mis-heard this, did you say that Leon Brittan had authorised the leak?

(Sir Robert Armstrong) I said in the conversation, the telephone conversation that took place, during that lunchtime on 6th January he authorised his Department to bring into the public domain the fact that the Solicitor General had written to the Secretary of State for Defence and had an opinion expressed in that letter.

1237. Did he not authorise the method of a leak?

(Sir Robert Armstrong) I do not think the precise method was discussed on the telephone or with him.

1238. Can you give us some indication if you think there is a single source for the leak?

(Sir Robert Armstrong) I think one person made the communication to the Press Association, yes.

1239. Was that person acting under orders or off his or her own bat?

(Sir Robert Armstrong) I think that person was acting in the knowledge that the Secretary of State had given his authority and in the knowledge that there was cover from 10 Downing Street.

1240. In your evidence to the Treasury and Civil Service Committee you said, Sir Robert, at page 28, paragraph 96: "I think that as a civil servant one knows pretty well what things one can properly disclose and what one cannot." While this statement was made prior to the events we are discussing do you think the civil servants who did disclose the information were fully aware of the consequences of the action that they were taking?

(Sir Robert Armstrong) What was the number of that question?

1241. It is page 28, paragraph 96, your reply.

(Sir Robert Armstrong) Yes, but in this case the official concerned was acting under authority, under specific authority.

1242. This official appeared to be acting on authority to put information into the public domain, surely there were a number of options as to how the information could be put into the public domain, by writing a letter, issuing it as a formal press release to be handed out after the press conference at Westland?

(Sir Robert Armstrong) Clearly there were options. As I say there was this acute awareness of an extreme time constraint, a need to get this information into the public domain before the press conference at 4pm. We are talking about something only two hours or less than that before the time at which the information had to reach the public domain, I am talking about the minds of the people concerned. The view was taken that the only way in which you could do it with that speed was the way which was chosen. I am not sufficiently expert to judge whether that was right but I think it plausible that was a fair judgment to make given the time constraint. I regret that it was done in that way; the Prime Minister says that she regrets it was done in that way; Mr Brittan says that he regrets it was done in that way and the officials concerned regret that it was done in

that way with the benefit of hindsight. Given the time constraint that decision was a plausible one. Yes, there were other ways in which the information could have been brought into the public domain which would not have involved disclosing the fact that the Solicitor General had written or disclosing the fact that he expressed an opinion on the question. I can go into that, I can expand on that if you wish. I think it likely that any of those ways would have taken longer than an hour and a half or whatever the time was that was available.

1243. I admit the time was there, I am still not convinced there was a great need to get the information out as swiftly as people seem to think. Were these people not committing an illegal act? We operate under time constraints at times but that does not mean to say we commit illegal acts to meet deadlines.

(Sir Robert Armstrong) I cannot be the judge of legality or illegality, that is not my trade. I have to rest on what the Attorney-General said when the Prime Minister said "My right honourable learned friend tells me he is satisfied the immunity in no way interrupted in the course of justice; on the facts disclosed in the inquiry there would have been no question of proceeding against the official concerned."

1244. If you were confining your investigation to a limited number of civil servants and reached a conclusion would you not think by broadening your inquiry to include politicians and ministers you might have reached a different conclusion and found what the real source of the leak was and not civil servants acting either illegally or under orders?

(Sir Robert Armstrong) I am not clear what you are implying by that question. My inquiry was designed to find out the circumstances in which this information reached the Press Association and I believe it did that.

1245. I am saying it is straining a number of people's incredulity to assume highly responsible civil servants would commit an illegal act without having been done under the authorisation and by broadening your inquiry might it not have been feasible for us to assume you might have identified the real source of the leak and not civil servants acting -----

(Sir Robert Armstrong) Would you like to ask me the straight question?

1246. Who leaked?

(Sir Robert Armstrong) The information was passed to the Press Association by an official of the Department of Trade and Industry acting under the authority of the Secretary of State.

1247. The Secretary of State did not authorise the leak, the Secretary of State authorised the disclosure of information to the public.

(Sir Robert Armstrong) He authorised disclosure and the actual method was discussed among officials.

Mr Speed

1248. Sir Robert, I wonder if I can ask you one or two questions to clear up some of the matters you have been dealing with? Was the entire letter, the Solicitor General's letter, read to the Secretary of State of DTI over the telephone or just extracts? I am not quite clear if the entire letter was read.

(Sir Robert Armstrong) I think it was almost the entire letter. I think there may have been some preliminary paragraphs omitted but the substantial part of the letter was read.

1249. Following on the question from Mr Mates, did your inquiry establish precisely how the selective extracts were leaked? Who took the decision that those particular extracts would be those communicated to the Press Association?

(Sir Robert Armstrong) I think it was two officials in the Department of Trade and Industry.

1250. That was the conclusion of your inquiry?

(Sir Robert Armstrong) Yes.

1251. On the point that Mr George was making I think one of the problems that has arisen is that you said that you saw no incompatibility between the different statements and speeches of the Prime Minister, I am sure that is right. Something that has caused a little problem and that has been raised in the press is the Prime Minister's earlier statement and reply to a question Mr Onslow asked on the 23rd January, Column 455, when she said, and it might have been a slip of the tongue: "... to get that accurate information to the public domain that I gave my consent." That does not add up with all of the other things we have heard, it was just these two officials at Number 10.

(Sir Robert Armstrong) That does not coincide with what she said in the statement itself, that her agreement was "neither sought nor given", I cannot remember the exact phrase. My understanding is it would be a slip of the tongue. Like you I heard that because I was in the official box at the time and that was the conclusion to which I came.

1252. You have not taken any opportunity to clear that up yourself in the post facto of your inquiry?

(Sir Robert Armstrong) I gather from the Prime Minister it was a slip of the tongue.

1253. Finally, since the speed of releasing information has been quite a material factor in this whole affair do I take it from your exchanges with Mr Douglas that you were not aware that there was the urgent statement required to be distributed by the DTI to the Westland press conference at 1540 on the 6th January with copies of that statement?

(Sir Robert Armstrong) There was nothing in my inquiry that suggested any official considered dealing with this matter in

a press statement that had been issued by the Department on that day.

1254. Were you yourself aware during that inquiry that there were these very special arrangements being made for a special messenger leaving the Department in good time to be at the press conference with this quite important statement that had been made by the Secretary of State himself?

(Sir Robert Armstrong) No, I do not know about that.

Chairman

1255. Sir Robert, you have been answering our questions for over an hour and a half and there are more to come, would it be helpful if you have a short break to stretch your legs?

(Sir Robert Armstrong) That would be very nice.

Chairman: I suspend the Committee for 10 minutes.

After a short break:

Chairman

1256. Before I ask Mr Marshall to ask you some questions he has in mind, Sir Robert, is there anything you want to say to the Committee in amplification of one of your previous answers?

(Sir Robert Armstrong) Thank you very much. Yes, there was one question where I think I was asked about whether it was unusual for immunity to be granted in the case of a leak inquiry. It is unusual, but my memorany has been refreshed: there was such another case in 1983 where immunity was authorised in order that the inquiry could be satisfactorily carried out.

Mr Marshall

1257. To tidy up one point - an answer to a question from Mr Douglas - it was put to you there was a press release put out by the DTI during the same period before the Westland press conference, a press statement put out by Mr Brittan. I think, just for the record, it is perhaps right to make it clear that the press release did not in any way make any of the points which were the subject of the leak. Is that your understanding?

(Sir Robert Armstrong) It had no bearing on the matters we have been discussing.

1258. The question was whether or not that would not have represented an adequate opportunity to put over other points. That was my understanding of that exchange. We had not assumed you to say this contained some information.

(Sir Robert Armstrong) My understanding is that it did not do so. Whether it could have been used as a vehicle, I do not know. I do not know about the timing.

Dr Gilbert

1259. I wanted to be quite clear - you have said several times that in the conversation between Mr Brittan and his Private Secretary, Mr Brittan did not lay down precise methods that were to be used in getting this material into the public domain. Can you give us the degree of precision that is available to you that he used. Did he, in fact, authorise a leak?

(Sir Robert Armstrong) I think that he - and I do not think there is any disagreement about this - said that he wanted the fact that the Solicitor General had written, and the opinion he had expressed, to be brought into the public domain, and in specific terms. I do not think that the conversation addressed the precise method by which that should be done.

1260. Indeed. The precise method?

(Sir Robert Armstrong) The method by which that should be done.

1261. The particular method would cover to whom it was leaked, whether it was selective or whether it was leaked or not? I would like to know, with respect to any of those items, was the conversation specific? In other words - I repeat my question - did the Secretary of State authorise that the matter be leaked?

(Sir Robert Armstrong) I do not think that there was any discussion of the method by which this was going to be got into the public domain. I think the Secretary of State said he wanted it brought into the public domain and before the press conference at 4 p.m. That was a fairly brief conversation as far as it went. As I reminded you, the Secretary of State was out at a lunch engagement and, therefore, was perhaps not asked to talk for too long, and not able to talk as freely as he would if talking in the privacy of his office.

1262. I am obliged. I have listened to the answer very carefully; you have not yet addressed the point, another point I put to you. I am not asking about the way in which it should be leaked, but did the Secretary of State authorise a leak?

(Sir Robert Armstrong) A disclosure which is authorised is not a leak.

1263. So be it. Did he authorise that it should not be put out by means of a press release, but rather done by way of informing an individual?

(Sir Robert Armstrong) My understanding is that he authorised it to be put out - to coin a rather American phrase. I do not think he authorised any method or anything else, except I think he did say he wanted it out before the Westland press conference.

1264. That is very interesting, it brings it to the heart of a whole other area of problems. If it was not a leak there was no point in having a leak inquiry?

(Sir Robert Armstrong) You do not know there was no leak until you have had the inquiry.

1265. You might know quite early on if you had indeed asked one side of the telephone conversation. You do have some difficulties in this case. You asked only the official in the Secretary of State's office but not the Secretary of State, for reasons you have already disclosed to us. Were you, at the time that you finished your interview with the official in the Secretary of State's office, satisfied that that official was telling you the truth with respect to that telephone call?

(Sir Robert Armstrong) Yes, I was.

1266. In other words, at the end of that interview you then knew there had not been a leak?

(Sir Robert Armstrong) I knew at that stage what I had been told by that official, and other officials to whom I had spoken before that. There were other people to whom I needed to speak about other circumstances because, as you will know, what the Secretary of State said on the telephone sought some degree of consultation with No. 10 Downing Street and I needed to enquire into that.

1267. Yes, I accept all those things. You have just told us in the last few minutes if disclosure of information was authorised by the Secretary of State it did not constitute a leak. You have also told us that you were told by the official for the Secretary of State's office that his Secretary of State had authorised disclosure. You have also told us you believed that evidence. I put it to you, on the words that you have used in the last few minutes to the Committee, that at the end of your interview with that official in the Department of Trade and Industry you knew that there had not been a leak?

(Sir Robert Armstrong) I was not asked whether there had been a leak. I was asked to find out the circumstances of the disclosure.

1268. Indeed. Could you address yourself to the question. You knew at that point in time there had not been a leak?

(Sir Robert Armstrong) I knew at that point in time that the disclosure had been made with the authority of the Secretary of State.

1269. Which means it did not constitute a leak?

(Sir Robert Armstrong) Which meant it was authorised.

1270. Yes. You seem to have very great difficulty in answering some questions. It was authorised and therefore was not a leak?

(Sir Robert Armstrong) I think "a leak" is such an imprecise term I do not wish to use it.

1271. You knew it was authorised: what was the point of having a leak inquiry if you knew that the disclosure was authorised?

(Sir Robert Armstrong) It was not a leak inquiry, but an inquiry into the circumstances in which this was disclosed.

1272. We tried to get from you at the beginning what the terms of reference of the inquiry were and you said, as I recall, that there were not any precise terms of reference?

(Sir Robert Armstrong) I think I said that no terms of reference had been written down: if they had, it would have been to enquire into the circumstances under which the document in question had reached the Press Association. I cannot remember the precise words I used, but to that effect. It was not an inquiry into whether a leak occurred, or what leak occurred, not put like that: no, in my mind, that if I had discovered it was authorised that was the end of the story.

1273. At what time, on what date, did you conclude your conversation with the official who had the conversation with Mr Brittan?

(Sir Robert Armstrong) The conversation took place on the 16th January in the afternoon. I cannot remember the precise time.

1274. Did you consider it might have been appropriate to inform the Prime Minister forthwith that you had information which you believed to be true that one of her Ministers had, in fact, authorised the disclosure?

(Sir Robert Armstrong) I thought I should complete my inquiry and find out all the circumstances before I reported to the Prime Minister.

1275. Thank you. Where was the Prime Minister when the telephone calls from the Department of Trade and Industry arrived?

(Sir Robert Armstrong) As far as I know, in No. 10 Downing Street.

1276. Did you enquire as to whether or not either of the officials in No. 10 went to the Prime Minister to get her clearance?

(Sir Robert Armstrong) I was told they did not.

1277. You asked them that?

(Sir Robert Armstrong) Yes.

1278. Did you ask them why they did not?

(Sir Robert Armstrong) They did not think that there was anything which they were required to seek the Prime Minister's authority for.

1279. Really?

(Sir Robert Armstrong) The authority had been given by the Secretary of State and they knew that.

1280. They were relying on the authority of the Secretary of State for Trade and Industry?

(Sir Robert Armstrong) Yes.

1281. To commit an improper act. Could you tell me this -----

(Sir Robert Armstrong) Yes, they had been told that the Secretary of State had authorised the disclosure and they did not, as has been explained, think that they were being asked to seek the Prime Minister's agreement to that.

1282. I am not suggesting they had been asked to seek the Prime Minister's agreement. The question was whether they thought it appropriate to seek the Prime Minister's agreement?

(Sir Robert Armstrong) They thought, given that the Secretary of State had authorised the matter, that was sufficient authority for the officials concerned.

1283. They were quite prepared, these officials in No. 10, to give cover (whatever that may mean) to an improper act so long as it was authorised by a Minister outside No. 10? That is, in fact, your evidence to this Committee?

(Sir Robert Armstrong) The Prime Minister has explained this in her speech and her statement, I do not think I can improve on that account on the considerations that came into it.

1284. The telephone calls between the DTI and No. 10, were they simultaneous?

(Sir Robert Armstrong) Consecutive.

1285. What was the time interval between them? A conference, at the one or other end of the first telephone call, to discuss what should be the nature of the second telephone call?

(Sir Robert Armstrong) I do not think there was any conference between the two at either end.

1286. They were quite independent, one of another?

(Sir Robert Armstrong) I think there was the first conversation and then the official said, "I am going away to talk to the other end of it, to talk to my opposite number at the other level." It is between Private Secretaries and then the Press Secretary.

1287. Subsequent to the conversation between Private Secretaries, did the Private Secretary at either end have a discussion with their respective Head of Information before the Heads of Information exchanged telephone calls?

(Sir Robert Armstrong) I have no evidence they did. I should not think there was time.

1288. I see. So there were misunderstandings, as I understand the Prime Minister's report, emerging from both these telephone calls?

(Sir Robert Armstrong) As a result of the telephone calls, there was a difference of understanding as to exactly what was sought and what was being given. Where there was, I think, no difference of understanding was that at the end of the conversations the Prime Minister's Office had accepted that the disclosure should be made from the Department of Trade and Industry, and made in the way it was made.

1289. The fact that the telephone calls were sequential rather than simultaneous should in no way be taken to imply that the second telephone call was made to resolve a dispute between Number 10 and DTI?

(Sir Robert Armstrong) No. The second conversation was in part technical as to methods of disclosure and so on.

1290. I see. You used an interesting phrase a moment ago. I used the phrase "misunderstanding", and I believe you used the phrase "failure of understanding", was it, "difference of understanding"?

(Sir Robert Armstrong) "Difference of understanding".

1291. So we have two differences of understanding, in two telephone calls involving four of the most senior and experienced officials in the country, used every day to dealing with matters of classified information, nature of disclosure and so on. Do not you find that remarkable?

(Sir Robert Armstrong) I find it very regrettable, but I think it is absolutely credible that these things do sometimes happen, and I think that that is what happened in this case.

I think there was a genuine difference of understanding.

1292. No, not one difference of understanding, two differences of understanding, Sir Robert, in two different telephone calls between four highly skilled officials.

(Sir Robert Armstrong) In essence, the same difference of understanding in the two telephone calls, as to exactly what was being sought and what was being given. I mean, telephone conversations in these circumstances do not bear the same degree of precise weight as a written exchange would do, as I am sure you know well.

1293. Indeed, but these were experienced officials, and they were trying to protect their backs; they were trying to make sure that they had either authority or cover, otherwise the telephone calls would not have taken place; and they would have wanted to know in precise terms whether or not they had cover. Is not it remarkable that there were two differences of understanding on the same point, between four officials?

(Sir Robert Armstrong) I do not ----- I think it is very regrettable. I do not think it is entirely remarkable. What would you have had them ask - "Have you consulted? Have you asked the Prime Minister?"? Would you have had them ask that? In the way these things are done, that is a question you do not ask, because that is a question that, as it were, is teaching your grandmother to suck eggs, or telling him his business. So that when these telephone conversations occur, as I say, the conversation is informal and bears the possibility of differences of understanding, because people are not talking necessarily with the degree of precision they would use if they were putting it all down on paper.

1294. Did you ask either of the officials of DTI if, in the course of their conversations on that day with the officials

in Number 10, they disclosed that they had the authority of their Secretary of State?

(Sir Robert Armstrong) They did do so.

1295. They did do so. Did you ask the officials at Number 10 if they had disclosed that fact to the Prime Minister?

(Sir Robert Armstrong) They did not do so. They did not ----- At that time there was no contact between them and the Prime Minister. As the Prime Minister has said, she was not approached at that time.

1296. Did you ask either of the officials at Number 10 when they first disclosed to the Prime Minister the fact that officials at DTI had told them that they had authority from their Secretary of State?

(Sir Robert Armstrong) I did not ask that, because that was not germane to the matter into which I was inquiring: namely, the circumstances in which the disclosure occurred. I satisfied myself that they had not, before the leak occurred - before the disclosure occurred, I beg your pardon (a Freudian slip!) - that they had not, before the disclosure occurred, been in touch with the Prime Minister on the matter.

1297. Right. You have said frequently in the course of this morning, Sir Robert, that the people at Number 10 accepted that DTI make disclosure. I am interested in your choice of verb. Would it be equally accurate to say that the people at Number 10 insisted that the DTI make the disclosure?

(Sir Robert Armstrong) No, they said that they were not going to make the disclosure. They accepted, or they acquiesced in, or they did not object to - whatever phrase of that kind you like to use - that the DTI were going to make the disclosure.

1298. There was no request from the officials at DTI, to the officials at Number 10, that somebody at Number 10 should make the disclosure?

(Sir Robert Armstrong) They asked whether Number 10 would do so, and Number 10 were not going to do so.

1299. Thank you. Then we get on to the question of the way in which the disclosure was made. You said that the only way to do it was the method adopted. This presumably was agreed in the second, but not the first, telephone call, or was it agreed in both?

(Sir Robert Armstrong) No, in the second telephone call; and it was agreed that it was the only way to do it in the time. If I did not say that before, I should have said it was a question of getting this into the public domain within the time available, which was then less than two hours, in effect. This was the only way practicable in the time available, if that deadline was to be met.

1300. When you use the words "the only way to do it", does that cover both the leak, the selectivity, to whom it was to be leaked and when it was leaked?

(Sir Robert Armstrong) It covers the method, the way in which, the channel by which, the information which the Secretary of State desired to be got into the public domain was got into the public domain.

1301. It did not cover the selectivity; that was a decision taken, if I understand you, solely on the authority of the officials at DTI?

(Sir Robert Armstrong) I think that was implicit in what the Secretary of State had said he wanted to be got out,

but I do not think that the Secretary of State determined the precise selectivity.

1302. Yes, I think there may be a misunderstanding between us on this point. What I am asking you is whether or not the official at DTI put to an official at Number 10 the selective nature of the leak that was being contemplated?

(Sir Robert Armstrong) I have no evidence that that was discussed.

1303. You did not inquire?

(Sir Robert Armstrong) I did inquire, and I had no evidence that that was discussed.

1304. You did inquire, and you have no evidence that it was discussed?

(Sir Robert Armstrong) I have no evidence that it was not discussed, put it that way round, if you like.

1305. There is a considerable difference! Thank you.

(Sir Robert Armstrong) I think my own way was more precise, if I may say so.

1306. So be it. So we now know, then, that the selective nature of the disclosure was taken solely on the responsibility of the officials at DTI?

(Sir Robert Armstrong) I think that they decided how to comply with the Secretary of State's requirement, yes.

1307. In that respect?

(Sir Robert Armstrong) In that respect. I do not think that that was done, but I think that their selection was guided by what they knew that the Secretary of State would like to have disclosed, which was the fact that the Solicitor General had written, and the opinion he had expressed.

Mr Douglas

1308. Sir Robert, Hansard of 27 January, column 657, the top of the column, or near the top, the penultimate sentence and the last sentence. The Prime Minister said: "I discussed the matter with my office the following day when I also learned of the Law Officer's concern. I was told that the Solicitor General's advice had not been disclosed by my office." Did you inquire any further into that conversation between Number 10's officials and the Prime Minister?

(Sir Robert Armstrong) No, that was not part of my inquiry, because that was 24 hours after the disclosure had happened, and my inquiry was related to the actual circumstances of the disclosure. If I can help you on the matter, I will, but it was not part of the inquiry.

1309. Have you therefore any way to enlighten the Committee as to whether anybody from Number 10 indicated, at that conversation on the following day, the information and conversations between the DTI and Number 10?

(Sir Robert Armstrong) The Prime Minister went on: "I was also told in general terms that there had been contact between my office and the Department of Trade and Industry. I did not know about the then Secretary of State for Trade and Industry's own role in the matter of the disclosure until the inquiry had reported."

1310. You are standing by the record, in that the record says that the Prime Minister did not know that the Secretary of State for Trade and Industry was giving his authority to the disclosure, by whatever means?

(Sir Robert Armstrong) I have no evidence that the

Prime Minister has misled the House in that matter at all.

1311. Do you not think, in view of the nature of relationships between Ministers and top officials, including the Prime Minister, that it is exceedingly strange that, in view of the urgency of this matter, in view of the public attention devoted to it, in view of the fact of the Law Officer's letter and disclosure of the Law Officer's letter, no further information was given to the Prime Minister, other than that it was not their fault, it was someone - well, they did not even say it was someone else?

(Sir Robert Armstrong) They did not say that. They said that there had been contacts between my office. I think you have to remember that already by 7 January the possibility, perhaps even the likelihood, that there would be some form of inquiry was already there. The Attorney General had already raised the matter, and it was therefore in people's minds. As the letter in which the Attorney General sought my view had been copied to 10 Downing Street, they were aware of the Law Officer's concern, as the Prime Minister has said, and of the possibility that there might be an inquiry. From that point on, I think it was understandable that people would expect the matters to be dealt with in the inquiry and would expect to give their accounts of the matter to the inquiry.

1312. But the official inquiry is not officially considered until the 14th?

(Sir Robert Armstrong) No, but if you think there is likely to be one, that colours the matter in advance, does it not?

1313. I will leave that aside, if I may, Chairman, for a minute or so. I will probably return to that point at some later time. Let me, if I may, seek your advice, Sir Robert, on the

hierarchy of interrelationships between government. I mean, the normal phraseology in terms of the Prime Minister is prima inter pares, but really in terms of the Cabinet Office, if it asks for something from other departments, is it not your experience that they have priority in terms of communication, in terms of administrative expediency?

(Sir Robert Armstrong) I am sorry, I do not understand the question.

1314. What has been musing me here is that the DTI seems to be asking Number 10 for authority and approval to do something, and it strikes me that that is the obverse of normal relationships; that if Number 10 wants something done, it will be done; if a department of state wants it done, there might be hesitancy. Is that not the normal experience, is that not a normal view? Not having been in government, I would not know, but is that not a normal view, in your experience?

(Sir Robert Armstrong) I do not think you can generalise in that way, Mr Douglas. I think that a Secretary of State is perfectly able to take a decision and implement it. He has to decide to what extent he consults his colleagues. There are many decisions in the Government taken by Secretaries of State without consultation. There are many other decisions which are taken with consultation either with the Prime Minister or with a wider group of colleagues.

1315. Even if I put it at its lowest level here, what is being asked by the DTI, of Number 10, is "We want cover for what we're going to do." Is that something that Number 10 officials would give, without putting conditions or constraints on it?

(Sir Robert Armstrong) I do not think it was ----

I do not think that it emerged clearly from the conversations that that was what they were after. They wanted to ----- Certainly the officials at Number 10 believed that the officials in the Department of Trade and Industry had the authority of their Secretary of State. I do not think that they understood or believed that they were being asked to give, as it were, covering authority for that; and indeed covering authority was not required. An official does not give covering authority for what a Minister does. So that this is where I think the difference of understanding arose in these two conversations. There was the difference of understanding as to exactly what was being sought and what was being given. The Prime Minister's Office, in effect, said, "You've got your Secretary of State's authority. You tell us that he would like, would prefer, the disclosure to come from 10 Downing Street. It's not going to come from 10 Downing Street. We accept that you go ahead and make it."

1316. That is not what Mr Brittan was asking. If we go back to column 671 on 27 January: "Subject to the agreement of Number 10, I was giving authority for the disclosure of the Solicitor General's letter to be made."

(Sir Robert Armstrong) And as has been made clear, the Department of Trade and Industry thought that they had conveyed it to 10 Downing Street.

1317. As Dr Gilbert has said, these are conversations between probably the top officials in the land, and the Secretary of State for Trade and Industry, as I understand it, saying to his officials, "Subject to the agreement of Number 10." Are you saying to me that that "simple" message could not be conveyed accurately, even across the telephone?

(Sir Robert Armstrong) Well, it clearly -----

1318. Whereas in an earlier remark to me you said that the Minister could receive all this information dead-pan. This simple statement: "I was giving authority for disclosure", "Subject to the agreement of Number 10, I was giving authority for disclosure" - that could not be conveyed to Number 10?

(Sir Robert Armstrong) What I have said, Mr Douglas, is that I do not think those were the precise words which Mr Brittan used on the telephone, and I am absolutely clear that the officials in Number 10 did not believe, from the conversations, that they were being asked to convey an agreement on which the Secretary of State's authority was conditional. I think this is where the misunderstanding, the difference of understanding, if you like, arose. I very much regret, obviously, that it did arise, and so did the people concerned, but I think I can see very well how it could have occurred, in conversations which I think were quite short, at a time when everybody was under lots of other pressures.

Mr George

1319. Sir Robert, in view of the confusion over the telephone, as Head of the Civil Service will you give the Defence Committee a guarantee that none of these people will be anywhere near a telephone speaking to the commander of one of our Polaris submarines?

(Sir Robert Armstrong) I think I can give that guarantee.

1320. Secondly, did the Prime Minister make any of her own private inquiries, to your knowledge, as to who the culprit or culprits might be prior to your being authorised to conduct your inquiry?

(Sir Robert Armstrong) I do not think she did, no. She knew very early on 7 January that there was a probability of a more formal inquiry and she could well have thought that she would be criticised if she anticipated that inquiry by some more informal method of proceeding.

1321. I would have the impression that the Prime Minister knows a great deal of what goes on in her office and in 10 Downing Street and in the machinery of Government. Did you see the quotation from Hansard that she was unaware of Mr Brittan's own role in the matter of disclosure until after the inquiry had reported, which was 16 days afterwards? Do you believe that to be the case?

(Sir Robert Armstrong) I believe that to be the case. I think it is strange but I believe that to be the case.

1322. If Miss Bowe was acting under authority why, therefore, did she seek immunity from prosecution?

(Sir Robert Armstrong) I think that anybody would do so before making a statement which was liable to incriminate her. She was not to know the outcome of the inquiry.

1323. But did she think she might be eventually incriminated for an act that she was likely to do?

(Sir Robert Armstrong) I do not know how good a lawyer she is, but I think if I were in her place I would certainly have wanted my position to be quite clear before I answered in the affirmative a question which admitted that I had done an act which might subsequently be found by the Attorney-General to be an illegal act, or judged by the Attorney-General. Obviously it is a matter for the court whether it is in the end.

1324. Earlier on you were questioned relating to the memorandum submitted by the Cabinet Office on civil servants' and ministers' duties and responsibilities and there are a number of paragraphs which indicate that any civil servant who feels he or she is likely to be committing an illegal act has a channel of communication prior to committing that illegal act. I am referring to paragraph 7 in the report on page 2: "If a civil servant has sincerely held doubts about the propriety of a policy or action he does not need to carry the burden alone," and then, as we discussed earlier: "This should be shared with senior officials, if necessary up to the Permanent Secretary or Permanent Head of the Department." In another paragraph on page 8 of this report: "A civil servant should not be required to do anything unlawful. In the very unlikely event of a civil servant being asked to do something which he or she believes would put him or her in clear breach of the law, the matter should be reported to his superior officer or to the Principal Establishment Officer." Did any of the people who were interviewed seek to communicate any disquiet they may have to anyone superior to them, as these two paragraphs lay down a wide range of individuals who ought to be consulted?

(Sir Robert Armstrong) I asked the specific question of the official particularly concerned and that official said yes, it did occur to her that she would have liked to talk to the Permanent Head of the Department but she knew he was not in the Department; he was out of London and she could not, therefore, do so, so she shared her burden with the other officials directly associated with the matter and they made up their minds to proceed. I do not think I can --- They are entitled to do that. Whether matters would have been different if they had had a chance to consult Sir Brian Hayes I do not know. I think they might have been.

1325. It was just the one person who sought advice?

(Sir Robert Armstrong) Nobody did seek advice of the Permanent Secretary because he was not there to have it sought of him.

1326. But according to these paragraphs I have referred to, there were a number of other individuals who ought to have been consulted other than the Permanent Secretary?

(Sir Robert Armstrong) Who could have been. The person concerned considered three individuals whom she could consult. One of them she did consult. The other two were not available.

1327. The last question: so much of the trouble was based on a letter written by Mr Heseltine that allegedly contained material inaccuracies. Subsequently it transpired it did not. Did any of the participants in your inquiry express any regret that the whole issue had blown up over a misinterpretation of a letter? Was any remorse expressed or sadness expressed?

(Sir Robert Armstrong) I think the matter remained on the basis of the subsequent exchange of letters between the then

Secretary of State for Defence and the Solicitor-General. I am paraphrasing because I have not got the documents with me but the Defence Secretary said there were not material inaccuracies because he had information which supported what he said, and the Solicitor-General said, "Well, that is fine, but I do not think so. It is on your responsibility that you do it," so that was how that was left. Nobody expressed regret in relation to that subsequent exchange of correspondence. People did express regret, yes, about the difference of understanding after the event, and, of course, about the decision that was taken to make the disclosure in the way it was done. There could have been ways of doing it which avoided the matters which have been the subject of criticism.

1328. May I ask the last question: how many of the "famous five" you interviewed came from outside the Department of Trade and Industry?

(Sir Robert Armstrong) Two.

1329. Did more than one of them have the initials BI?

(Sir Robert Armstrong) By definition I think they did.

They must have done. They were not both initials BI, no.

1330. Can you give ---

(Sir Robert Armstrong) I do not think I want to go any further.

Mr George: Our colleague Mr Leigh said ---

Chairman: You said it was the last question, Mr George. How many more?

Mr George

1331. My colleague Mr Leigh said there was no mention of Westland in the whole affair so far. I am not asking if you interviewed Mr Ingham - I hope you did - but did you come to any conclusion as to what his role was in this whole saga? I am not asking if

you interviewed him but what assessment you have of his role?

(Sir Robert Armstrong) Yes, I formed a view of his role in this affair.

1332. Could you indicate what that role was?

(Sir Robert Armstrong) I think my answers have covered that very fully.

Mr George: Do you? Thank you.

Chairman

1333. Sir Robert, I know Mr Leigh has two questions and I think Dr Gilbert has a couple as well and I have two to ask following this. Can you tell us, at any stage in this process did any official refuse to take the action that was eventually taken?

(Sir Robert Armstrong) Only one person took the action and by definition that person did not refuse to take it.

Chairman: I beg your pardon. Perhaps I could elucidate - refused to take it and then half an hour later changed her mind?

Mr Mates

1334. Or been ordered to.

(Sir Robert Armstrong) I see. No, I think there were misgivings but there was no refusal.

Chairman

1335. Thank you. Can you tell me, are there any disciplinary proceedings either in train or pending?

(Sir Robert Armstrong) Disciplinary proceedings in the case of officials of the Department of Trade and Industry would be for the Head of that Department. Clearly things were done in this affair which would have been better done differently and in that sense people made wrong judgments. The question is this -and

I have to ask it of myself in relation to those people for whom I have a responsibility - whether that error of judgment, if that is what you would call it, was of such a nature as to make it necessary to invoke disciplinary proceedings. There are no precise rules which lay down when a matter of that kind becomes a matter for disciplinary action. If it appeared to the Head of the Department concerned that somebody had done such a thing out of malice aforethought or as a matter of gross neglect, then I think one would consider disciplinary proceedings. I certainly took the view in this case that the mistakes that were made, for which the people have expressed great regret, did not amount to actions which called for disciplinary proceedings of that kind. Obviously the fact that they were made is there and is on the record. They have expressed their regret and I can assure you they will be double-plus careful not to repeat them.

1336. Thank you, Sir Robert. I know it is not your responsibility to decide on any disciplinary proceedings in another Department but do you happen to know whether any are in train or pending?

(Sir Robert Armstrong) I believe not and I certainly would not wish to urge disciplinary proceedings on the Permanent Secretary.

Mr Leigh

1337. Sir Robert, another hour and a quarter has passed and I hope you will forgive the most junior Member of the Defence Select Committee if I ask one more question on defence. You told me earlier that your inquiry showed up no implications for defence or national security. Can I put it another way to give you another chance of answering this question. Did your inquiry reveal any insights into the way defence decisions are taken or should be taken?

(Sir Robert Armstrong) As a general answer I think the answer is no. I think that we should not be where we are now if the then Secretary of State for Defence had agreed his letter of 3 January to Mr Horne with the Departments concerned before it was issued, but I do not know that that is a matter with defence implications.

1338. Thank you. One other question: you have given honest and frank answers to our questions over the last couple of hours. You are aware that we did ask for certain named officials to appear before this Committee, Mr Ingham, Mr Powell and Miss Bowe. Do you think they could give us any insights that we have not been able to learn from you?

(Sir Robert Armstrong) I have tried to answer fully and I hope I have done, and I do not believe that you would learn very much more from them. I have to say about them that, as will be clear to you, though we have been scrupulously careful not to mention names, they have already submitted to detailed questioning from me as to their role in these matters and I have done my best to share with you, so far as I can, my understanding of the matter as derived from that. They gave evidence to me in confidence and in private and very fully, knowing that it was so. I think that I should have to say that I can understand the Committee's interest in the decision-making process but from their point of view it becomes rather a different matter. I am rather reminded of the story of the pig and the hen going up the motorways and stopping at some motorway restaurant for a dish of bacon and eggs and the pig saying, "I am not going to do that. For you it is a contribution. For me it is a total commitment"! In the case of these people concerned, it is not just a question of the decision-making process, it is a question

of their careers and reputations and lives, and they have very fairly gone on the record with me in confidence. As I say, I have inquired into the matter as thoroughly as I could and as fairly as I could and I have made my report to the Prime Minister. I feel that it would be rough justice if they were subjected to a second process of that kind. I suppose I think it peculiarly because in the nature of the case this has now become a matter of intense political interest and attention and however restrained the Committee might be in its questioning that would be bound to be in everybody's mind. Whether, in those circumstances, it could really be an inquiry which was fair to them I rather question, not because I think that the Committee would not want it to be so but because I think the surrounding circumstances would make it very difficult.

Dr Gilbert

1339. Sir Robert, there could, of course, be questions that Members of this Committee might wish - I do not say would but might wish to put to the named officials that they had not thought proper to put to you.

(Sir Robert Armstrong) That is in the Committee's wisdom.

1340. Indeed.

(Sir Robert Armstrong) If the Committee wishes to put questions to me I will endeavour to answer them even if they are questions which might otherwise have been put to these people. I should prefer to deal with it in that way.

1341. Indeed, but quite early in your evidence you said you were not prepared to identify the individual conversations between officials and so on and, therefore, I, for one, did not press you on all of that area, and there might well be questions that one

would want to put on reflection and after studying your transcript.

(Sir Robert Armstrong) Dr Gilbert, I very much hope that you will be able to accept my judgment of the matter, having been thoroughly into the inquiry. If there is more that I can give to help you to do that without a breach of the confidence in which I interviewed these people, I will gladly do so.

1342. Indeed, I am sure you would, but there are, of course, areas that were not actually covered by your inquiry which might be of interest to Members of the Committee. For example, it would not occur to you - it might occur to you but it would not fall within your remit in any way to ascertain whether or not the Secretary of State for Trade and Industry had prior clearance from the Prime Minister, implicitly or explicitly. You have not inquired - and no-one will criticise you for this - as to when the officials in the private office at No. 10 first revealed to the Prime Minister that it was an official leak. There are many questions of this sort that you said would fall outwith your inquiry but which would be of great interest to know whether or not - or precisely, I should say - how this regrettable chain of circumstances came about.

(Sir Robert Armstrong) As to the two points which you have mentioned, the first occasion on which the officials at No. 10 spoke to the Prime Minister - you are correct, that was not within the range of my inquiry because it took place after the event, but I have inquired about it separately and my inquiries confirmed what the Prime Minister said, that there was a discussion on the Tuesday, 7 January, in which she was told in general terms of those contacts. As to the first part of your question, whether the Secretary of State had prior authority from the Prime Minister, I naturally addressed

that matter in the inquiry and I find absolutely no evidence whatever that he did, and I do not believe that he did.

1343. Indeed, one does not question for one moment what the Prime Minister says about being told things in general terms. What could be of interest - maybe you can help the Committee - is, was she actually told at that time that the Secretary of State for Trade and Industry authorised the disclosure?

(Sir Robert Armstrong) She has said she was not told at that time.

1344. She was just told in general terms. What she said was that she was not told about his role until later, which comprises a whole lot of things.

(Sir Robert Armstrong) It certainly comprises also the point you made about the authority.

1345. When did she first know that?

(Sir Robert Armstrong) As far as I know, she has said, I think - I have not got the reference immediately to hand - she first learnt of it when she read my inquiry report. I cannot remember, that is probably on the 27th.

1346. Her words were: "I did not know about his own role." Were those words intended to mean that was the first time she knew he had authorised disclosure?

(Sir Robert Armstrong) I understand that it does mean that.

1347 Thank you, that is very helpful. It is the first time we have had that information officially. I think those are all my questions.

(Sir Robert Armstrong) You surprise me very much. I have not been skimming through, but I thought that had been made clear either in the statement or in the speech.

1348. Only in those terms, Sir Robert - not so explicitly as you have just given to the Committee.

(Sir Robert Armstrong) Certainly it is my understanding that she did not know of the Secretary of State's authority till she read about it in the report.

Dr Gilbert: Thank you. I have no further questions.

Chairman

1349. Sir Robert, thank you very much for the evidence you have given us this morning. We shall consider what you said with the aid of the transcript and consider how we want to proceed further. I should for the benefit of others remind everybody else that we have two further sessions this week, one this afternoon when we are having British Aerospace to give evidence, and one tomorrow morning when Mr Heseltine will be with us. These sittings will take place as planned. Sir Robert, thank you.

(Sir Robert Armstrong) Thank you very much, Chairman. I am grateful to the Committee.

PERSONAL



Prime Minister 2

*Mr Brittan is very
~~happy~~ unhappy with
the coverage of R.T.A.'s
evidence in some of*

70 WHITEHALL, LONDON SW1A 2AS

01-233 8319 *today's papers. This letter*

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

was written after

6 February 1986

Ref. A086/415

*consultation with the Chief
Whip.*

*(Humphrey Atkins is not viewing
the October minutes until next week.)*

I was unhappy to see the mischievous twist that one or two of the newspapers chose to give to their reports of my evidence to the Defence Select Committee yesterday, and I know you must have been too. I should be very sorry if I thought that what I said had borne that interpretation. People to whom I have spoken who were there assure me that my answers did not give them that impression. I certainly intended and tried to stick closely to the Prime Minister's statements - including the point that your authority for the disclosure was subject to the agreement of the Prime Minister's office: though none of the papers reports that point, it was certainly covered.

*So not
much
steam in
this
one.)*

*N.L.W.
G.2*

I shall of course be going through the transcript, and shall have an opportunity to make corrections if anything I said was wrong, or wrongly transcribed.

mf

The Rt Hon Leon Brittan QC MP

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10 DOWNING STREET

From the Principal Private Secretary

MR STARK
CABINET OFFICE

I have shown the Prime Minister your minute of 4 February about the answers to the questions which Mr. Brittan declined to answer before the Defence Select Committee on 30 January.

The Prime Minister has commented as follows on your suggested answers:

Answer 1 "Agreed" in the last line of his answer should read "accepted". This is an important change, for all the reasons that Sir Robert will recall in the drafting of the Prime Minister's statement on 23 January.

Answer 2 The exact words used in column 450 (the third full paragraph) of Hansard 23 January should be used instead of those suggested in your draft. (You will note that again "agreed" should be "accepted".)

Answers 3,
4,
7 The Prime Minister believes that Sir Robert should refuse to answer these questions. He cannot be expected to speak on what Mr. Brittan knew and did not know.

Answer 5 This answer should use the exact words that the Prime Minister used herself in the House. (Col 657
p 275)

N.L. WICKS
5 January 1986

FEB

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RJ Poyntell
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MR WICKS

cc M r Stark.

Westland: Prime Minister's Statements about the disclosure of the Solicitor General's letter of 6 January and the Enquiry into that disclosure.

As you requested, I attach a note listing what seemed to me to be the main questions relating to the disclosure of the Solicitor General's letter and the subsequent enquiry, and the statements the Prime Minister made on each point in her statement of 23 January and speech of 27 January. My comments are throughout in square brackets.

2. I also attach a note prepared by the Law Officers' Department commenting on the main issues from their standpoint, by reference to the Prime Minister's statements and the answers given by them to Parliamentary Questions.

JW

A J WIGGINS
Economic Secretariat
Cabinet Office.
4 February, 1986

Attachments:

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Discrepancies between Prime Minister's letter of 1 January and Mr Heseltine's letter of 3 January.

" On Friday 3 January, there was an exchange of letters between Mr Horne of Lloyds Merchant Bank, representing the European Consortium, and My Right Hon. Friend the then Secretary of State for Defence. In his letter, Mr Horne asked for amplification of a statement in my letter to Sir John Cuckney. As the House knows, my Right Hon. Friend went into considerable detail in his reply. His letter had not been discussed with my Office before it was sent, even though it dealt with points arising from my letter to Sir John Cuckney.

On the following day, Saturday 4 January, I saw copies of the exchange of letters. In view of the very careful steps that I had taken to clear my letter to Sir John Cuckney with the Departments concerned and with the Solicitor General, I made enquiries to find out whether the Defence Secretary's letter had been cleared in the same way with the Department of Trade and Industry and with the Law Officers. It had not. In view of the continuing need for accuracy and consistency in Government statements on this subject, I asked that a message be sent to my Right Hon. and Learned Friend the then Secretary of State for Trade and Industry, as the sponsoring Minister for Westland, to suggest that he should ask the Solicitor General to consider the Defence Secretary's letter and give his opinion on whether it was accurate, and consistent with my own letter to Sir John Cuckney." (27 January, 1986, OR Col 652).

[I understand that Westland approached officials at the Department of Trade and Industry on Friday 3 January questioning the consistency of the two letters; the Defence Secretary's letter carried the implication that all the European governments and companies concerned had indicated that Westland's future



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participation in European collaborative projects would be in doubt if the Sikorsky deal went through, whereas the Prime Minister's letter had indicated only that some of the European governments and companies had given such indications. Since Mr Heseltine was effectively in control of exchanges with the European defence Ministers and the European companies, DTI officials doubted whether the matter could effectively be taken much further. I understand that Mr Brittan shared this view.]

When and how were approaches made to the Solicitor General?

"I asked that a message be sent to my Right Hon. and Learned Friend the then Secretary of State for Trade and Industry ... to suggest that he should ask the Solicitor General to consider the Defence Secretary's letter and give his opinion on whether it was accurate, and consistent with my own letter to Sir John Cuckney."

(27 January, OR Col. 652).

"The Westland Directors noticed that the terms of (Mr Heseltine's) letter were in certain respects different from the terms used in the Prime Minister's letter and raised the matter with the DTI as the sponsoring Department, and there has been no doubt about that. I, in turn, consulted the Law Officer, as I said in an intervention earlier in the Debate, who had not been sent a copy of my Right Hon. Friend's letter of 3 January. The Law Officer subsequently wrote the letter which has been the subject of controversy. I did not see it before it was written and I did not ask him in any way to write the letter to my Right Hon. Friend the then Secretary of State."

(Mr Brittan 15 January 1986, OR Col 1167-8).

"The Solicitor General, on the basis of the evidence available to him, formed the provisional opinion that the Defence Secretary's letter contained material inaccuracies which needed to be corrected. The view was reported to me. The matter could clearly not



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be left there. I therefore, through my Office, asked him to consider writing to the Defence Secretary to draw that opinion to his attention. I learned subsequently from the Solicitor General that he spoke to the then Defence Secretary on the telephone that same evening [4 January] and told him his provisional opinion about the letter and warned him that he would probably write to him on Monday 6 January, when he had checked the documents, and advise him to correct the inaccuracies. The Solicitor General further considered the documents on the morning of Monday 6 January. They confirmed him in his opinion. He therefore wrote to the Defence Secretary, advising him to write again to Mr Horne correcting the inaccuracies. "

(Prime Minister 27 January, 1986, OR Col 652).

What did the Prime Minister intend should happen after the Solicitor General had written to Mr Heseltine?

[No comment has been made about this in precise terms.]

"As I have already indicated, it was especially important in this situation for statements made on behalf of the Government, on which commercial judgments might be based, to be accurate and in no way misleading. That being so, it was a matter of duty that it should be made known publicly that there were thought to be material inaccuracies which needed to be corrected in the letter of my Right Hon. Friend the Member for Henley of 3 January, which, as the House will recall, had already been made public. Moreover it was urgent that it should become public knowledge before 4pm that afternoon, 6 January, when Sir John Cuckney was due to hold a press conference to announce the Westland Board's recommendation to shareholders of a revised proposal from the United Technologies Corporation - Fiat Consortium. These considerations were very much in the mind of my Right Hon. and Learned Friend the Secretary of State for Trade and Industry when the copy of the Solicitor General's letter was brought to his attention at about 1.30pm that afternoon of 6 January. He took the view that the fact that the



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fact that the Solicitor General had written to the then Secretary of State for Defence, and the opinion he had expressed, should be brought into the public domain as soon as possible. He asked his officials to discuss with my Office whether the disclosures should be made and, if so, whether it should be made from 10 Downing Street, as he said he would prefer. He made it clear that, subject to the agreement of my Office, he was giving authority for the disclosure to be made from the Department of Trade and Industry, if it was not made from 10 Downing Street. He expressed no view as to the form in which the disclosure should be made, though it was clear to all concerned that in the circumstances it was not possible to proceed by way of an agreed statement."

(23 January 1986, OR Cols 449-450).

Consultations leading to the disclosure of the Solicitor General's letter.

"My Office were accordingly approached. They did not seek my agreement: they considered - and they were right - that I should agreed with my Right Hon. Friend the Secretary of State for Trade and Industry that the fact that the then Defence Secretary's letter of 3 January was thought by the Solicitor General to contain material inaccuracies which needed to be corrected should become public knowledge as soon as possible, and before Sir John Cuckney's press conference. It was accepted that the Department of Trade and Industry should disclose that fact and that, in view of the urgency of the matter, the disclosure should be made by means of a telephone communication to the Press Association. Had I been consulted, I should have said that a different way must be found of making the relevant facts known."

(23 January, 1986, OR Col 450).

"It would have been much easier, as the facts were commercially sensitive, if the relevant letters had been cleared as mine was with the Solicitor General. It was vital to have accurate information in the public domain because we knew that



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judgments might be founded upon that and that the Government could be liable if wrong judgments were made as a result of misleading information. It was to get that accurate information to the public domain that I gave my consent."

(Prime Minister in answer to Mr Cranley, Onslow, 23 January 1986, OR Col 455). [The last four words are a problem]

"I explained to the House on 23 January how extracts from the Solicitor General's letter were disclosed to the media of 6 January. I repeat that I deeply regret that this was done without reference to the Solicitor General. Indeed, with hindsight, it is clear that this was one, and doubtless there were others, of a number of matters that could have been handled better, and that too, I regret."

(27 January 1986, OR Col 653).

Why was the disclosure selective (as the Solicitor General complained particularly in his letter of 7 January)?


[No comment has been made on this point.]

Involvement of No 10 Staff.

"My officials made it clear to the enquiry that they did not seek my agreement. They told the enquiry they did not believe they were being asked to give my authority, and they did not do so. Officials in the Department of Trade and Industry told the enquiry that they regarded the purpose of their approach to my officials as being to seek agreement for the disclosure as well as to the method. They believed that they had the agreement of my Office, and acted in good faith, in the knowledge that they had authority from their Secretary of State and cover from my Office."

(27 January 1986, OR Col 655).

"I discussed the matter with my Office the following day, when I also learned of the Law Officers' concern. I was told that the Solicitor General's advice had not been disclosed by


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my Office. I was also told, in general terms, that there had been contacts between my Office and the Department of Trade and Industry. I did not know about the then Secretary of State for Trade and Industry's own role in the matter of the disclosure until the enquiry had reported. The difference of understanding between officials in my Office and those in the Department of Trade and Industry only emerged after the enquiry had started."
(27 January 1986, OR Col 657).

Why was the Solicitor General not consulted about the disclosure of his letter of 6 January?

[The Prime Minister has indicated her regret that the manner of the disclosure and that the fact that the Solicitor General was not consulted. She has not commented directly on this point. It is doubtful whether, given the perceived need for haste, those concerned gave any particular consideration to the specially privileged nature of advice given by the Law Officers. It seems unlikely that the Solicitor General would have agreed to the disclosure of his letter either in whole or in part.]

Why was an Enquiry established?

"On Tuesday 7 January, the day after the Solicitor General's letter was disclosed, my Right Hon. and Learned Friend the Attorney General sought the view of the Head of the Civil Service as to whether it would be appropriate for the Law Officers to seek a formal Enquiry. After discussions between the Attorney General and Head of the Civil Service, my Right Hon. and Learned Friend made clear his view that there should be an enquiry. The Head of the Civil Service minuted me formally on Friday 10 January seeking my authority for the institution of such an enquiry. I readily gave him that authority. In fairness to everyone it was essential to have a full and objective report on what had happened, and it was clearly desirable that all the officials concerned should be able to give their



CONFIDENTIAL

own full accounts of their part in what had occurred. My authority was conveyed to the Head of the Civil Service on Monday 13 January. The following day, I informed the House that an enquiry had been instituted. I had been asked by the Law Officers to institute such an enquiry. I was formally advised by the Head of the Civil Service to do so. I had no doubt that it was right to set up the enquiry. Indeed, on 7 January the Hon. Member for Swansea West (Mr Williams) an Opposition Front Bench spokesman wrote to me to ask that an enquiry should be set up so that - I quote:

'the full facts can be established'.

Even so some Hon. Members opposite have subsequently criticised the decision to hold an enquiry. If I had rejected the advice that I had received, if I had refused to hold an informal enquiry, the Parties opposite would have had just cause to criticise me. I had no doubt they would have done so. To be criticised when I agree to an Opposition request to hold an enquiry is, to say the least, an unusual experience. The enquiry reported to me on 22 January."

(27 January 1986, OR Col 653-4).

Knowledge by Law Officers of part played by Mr Brittan and No 10 officials.

[No knowledge until 22 January when summary of report of enquiry received by Attorney General, and report of enquiry received by Solicitor General. (Answers given by Law Officers to Mr Allan Williams and Mr Frank Dobson on 30 January).]

Remark "Digest" of Parliamentary
statements, Answers etc. insofar
as Law Officers' involvement is
concerned

*With the Compliments of the
Assistant Legal Secretary*

*Richard
Sander.*

**Attorney General's Chambers,
Law Officers' Department,
Royal Courts of Justice,
Strand. W.C.2A 2LL**

01 405 7641 Extn. 3229

Mr Nigel Wicks

BACKGROUND

As for the particular Question asked by Jack Straw MP, you should be aware that the Solicitor General gave advice on the proposed support by the Government for the manufacture by Westland of 45 helicopters by guaranteeing or underwriting their sales. This was in connection, as I understand it, with an offer made by Bristow Rotorcraft plc to acquire the whole of the Ordinary share capital of Westland. I feel certain that you should not indicate that the Law Officers were consulted at that time. This would be a useful opportunity to re-state the convention, whilst regarding the disclosure of the advice given by the Solicitor on 6 and 7 January as exceptional cases. In the Answer I have mentioned the advice given by the Solicitor on 31 December. The fact that he did so is clear from the letter of 6 January and is also referred to in the Prime Minister's speech of 27 January.

It is not possible to predict all the further supplementaries that there may be on this Question or on the Question from David Winnick MP. In answer to any supplementaries, it would clearly be desirable to rely on what has already been said to the House. I will therefore attempt to list the facts (in chronological order) relating to the role of the Law Officers which have been made known to the House.

Prime Minister's letter of 1 January to Sir John Cuckney:

This was cleared with the Solicitor General (Prime Minister's speech 27 January, Col.652; advice (not published) also referred to in Solicitor General's letter of 6 January now made public). ✓

Mr Heseltines letter of 3 January: Not cleared with the Law Officers (Prime Minister's statement of 23 January and speech of 27 January). ✓

The Solicitor General first saw this letter when copy of it in The Times on 4 January was drawn to his attention by Mr Brittan (Answer to Member for Holborn and St Pancras 3 February). ✓

Circumstances surrounding Solicitor General's letter of 6 January: The Prime Minister on 4 January asked that a message be sent to the Secretary of State for Trade and Industry to suggest that he should ask the Solicitor General to consider the Defence Secretary's letter and give his opinion on whether it was accurate and

.../consistent

content with the Prime Minister's letter of 1 January (PM's speech of 27 January, Col.652). ✓

Mr Brittan contacted Solicitor General (Hansard 15 January at Col. ...). ✓

Solicitor General on basis of evidence available to him formed the provisional opinion that the Defence Secretary's letter contained material inaccuracies which needed to be corrected. This was reported to the Prime Minister. Through her office the Prime Minister asked the Solicitor General to consider writing to the Defence Secretary to draw that opinion to his attention (Prime Minister's speech 27 January Col.652). ✓

Solicitor General spoke to Defence Secretary on telephone ^{on 4 January} and told him his provisional opinion and warned him he would probably write on 6 January when he had checked the documents and advise him to correct the inaccuracy (Prime Minister's speech 27 January Col.652). ✓

Solicitor General ^{considered} further documents on morning of 6 January. Confirmed him in his opinion. Wrote to Defence Secretary advising him to write again to Mr Horne (Prime Minister's speech 27 January Col.652). ✓

Solicitor General's decision to write and content of the letter were not in any way determined by the communication from No.10 (Answer to Member for Walsall North, 30 January). *Decided by but not determined by.* ✓

Knowledge of Leak: Solicitor General first learned of the disclosure at about 3 p.m. on 6 January as a result of LOD being asked to comment on it by representatives of the media shortly before that time (Answer to Member for Middlesbrough, 27 January). ✓

Attorney General first learned of disclosure when he heard reports on radio at about 5 p.m. on 6 January (Answer to Member for Walsall North 27 January) ✓

Institution of Inquiry: On 7 January, the day after the disclosure, the Attorney General sought the view of the head of the Civil Service as to whether it would be appropriate for the Law Officers to seek a formal Inquiry (Prime Minister's speech 27 January, Col.653). ✓

Discussions took place between Attorney General and head of Civil Service. Attorney General made clear that there should be an Inquiry (Col.653). Cabinet Secretary minuted Prime Minister on Friday 10 January seeking authority for an Inquiry. Inquiry announced on 13 January (Col.653). Attorney General had not recommended any alternatives to a formal Inquiry (Answer to Member for Swansea West 30 January). Attorney General had no communication with Prime Minister (Answer to Member for Swansea West 30 January). Prime Minister's office informed of Attorney General seeking views of head of Civil Service (Answer to Member for Linlithgow 31 January).

Officials had not asked AG whether there was some way in which "all this" could be swept under the carpet. (SG's intervention in speech of
Publication of Solicitor General's letter of 6 January: This was placed in the *Mr. Mervyn Rees, 27 Jan.*
Library by the Lord Privy Seal on 15 January (Col.379). De-classification authorised by Law Officers (Prime Minister's Answer to Member for Leeds West of 3 February). *This was following Mr. Dabryll's point of order 15 January and strong indication through usual channels that debate would be impeded without publication of full letter.*

Knowledge by Law Officers of part played by Mr Brittan and No.10 Officials:

No knowledge until 22 January when summary of Report[?] of Inquiry received by Attorney General and Report of Inquiry received by Solicitor General. (Answers to Member for Swansea West 30 January and Answer to Member for Holborn and St.Pancras 30 January).

Immunity; In order that there should be no impediment to cooperation in the Inquiry the Attorney General authorised the head of the Civil Service to tell one of the officials concerned whose testimony would be vital to the Inquiry that he had the Attorney General's authority to say that, provided that he received full cooperation in his Inquiry, the official concerned would not be prosecuted in respect of anything said during the course of the Inquiry. Attorney General satisfied that that in no way interfered with the course of justice; on the facts as disclosed in the Inquiry there would have been no question of proceeding against the the official concerned (Prime Minister's statement of 23 January Col. 450 to 451).

Decision to grant immunity was Attorney General's, person concerned was uniquely able to give first-hand account of how disclosure was made (Answer to Member for Middlesborough 27 January).

.../Before

Before the head of the Civil Service was authorised, Attorney General satisfied himself on basis of what head of Civil Service was already able to report to Attorney General that the official was unwilling, unless given such an assurance, to provide the full and frank account of the facts which was essential if the Inquiry was to be successful. He was also satisfied that there was in any event no possibility that proceedings would be instituted against her in respect of the part she played in this matter (Answer to Member for Middlesborough 27 January). ✓

The policy in relation to the granting of immunity is to authorise an assurance being given to a witness that he will himself not be prosecuted only if Attorney General is satisfied that it is unlikely that he will otherwise be willing to give a full and truthful account of what he knows and that it is necessary, if the true facts are to be established or, as the case may be, if evidence is to be obtained which may permit proceedings to be instituted against others, that he should give that account. Such an assurance is always conditional upon his telling the truth, it is often a relevant consideration that there is no prospect of criminal proceedings being instituted against him, whatever his own anxieties on the matter, or that there is no evidence against him upon which such proceedings could be founded other than what he himself may say. (Answer to Member for Middlesborough 27 January). ✓

Attorney General was satisfied by what the head of the Civil Service was able to tell him that Ms Bowe had acted in complete good faith (Answer to Member for Linlithgow 3 February). ✓

Prosecution of Individuals: Attorney General, having considered the Report by the head of the Civil Service and on the material before him, decided after consultation with and with the full agreement of the DPP and Senior Treasury Counsel that there was no justification for the institution of proceedings under the Official Secrets Act 1911 in respect of any of the persons concerned in this matter (Prime Minister's statement 23 January, Col. 451). ✓

Both DPP and Senior Treasury Counsel were consulted on 23 January. Their role was to advise Attorney General on whether facts of this case justified institution of criminal proceedings against any person under Section 2 of the Official Secrets

Act. Consultation with them was in accordance with the usual practice in matters of this kind (Answer to Member for Middlesborough 27 January). .

✓

Publication of Solicitor General's letter of 7 January: Placed in Library on
27 January. (Prime Minister's speech of 27 January). *Same considerations as on 15 Jan re first letter.*

✓

Date in letter when documents referred to in letter supplied to Solicitor General should be 31 December, not 3 January. The documents will not be disclosed (Answer to Member for Workington 3 February).

✓

Prime Minutes

See my marginal comments. Agree?

(Charles, Tom and I spent over an hour tonight with RTA rehearsing Qs and A. The Chief Whip spent 1/2 an hour with him

Ref. A086/374

MR WICKS

Westland: Defence Select Committee

this morning doing the same.)

We discussed this morning the questions which Mr Brittan declined to answer before the Defence Select Committee on 30 January. N.L.W. 4.2

2. I enclose a draft of the line which Sir Robert Armstrong might take if asked similar questions on 5 February.

3. I am copying this minute to Mr MacLean.

MS

Accepted - see statement
not agreed

M C STARK

4 February 1986

Accepted

not agreed

Q. Who decided the Solicitor General's letter accusing Michael Heseltine of inaccuracies should be leaked selectively and not in full?

A. It was the view of the DTI that the fact that the letter had been sent and the opinion expressed in it needed to be got into the public domain urgently. Mr Brittan agreed that this should be done, and done in specific terms. What was released was what the DTI thought was necessary to meet the requirement approved by the Secretary of State. The method of release was proposed by the DTI and ^{accepted} agreed by No 10.

Q. What discussions were there with No 10 about the selective nature of the leak?

Best to use exact words of your 23 Jan statement - see over page.

A. The method of disclosure was discussed between the DTI and No 10. No 10 ^{accepted?} agreed with the DTI proposal that, given the need for speed, the Chief Press Officer at the DTI should make the disclosure by means of a telephone communication to the Press Association.

Q. When did Mr Brittan know a leak inquiry was being set up?

RTA should refer to annex these 2 questions.

A. 3 He would have learned of the Prime Minister's decision soon after I myself did, on 13 January. He would have known during the previous week that a proposal to institute an inquiry was under active consideration.

He cannot be expected to know what Mr Brittan

Q. Did he know it was being set up before it was publicly announced?

A. 4 Only on 13 January (one day before the announcement in the House); the Prime Minister's decision was not communicated to anyone until then.

know and did not know. ✓ mb

My office were accordingly approached. They did not seek my agreement: they considered—and they were right—that I should agree with my right hon. Friend the Secretary of State for Trade and Industry that the fact that the then Defence Secretary's letter of 3 January was thought by the Solicitor-General to contain material inaccuracies which needed to be corrected should become public knowledge as soon as possible, and before Sir John Cuckney's press conference. It was accepted that the Department of Trade and Industry should disclose that fact and that, in view of the urgency of the matter, the disclosure should be made by means of a telephone communication to the Press Association. [Interruption.] Had I been consulted, I should have said that a different way must be found of making the relevant facts known.

Q. Did Mr Brittan have no conversations with the Prime Minister - as Mrs Thatcher told the House on Monday - about the fact that he himself had authorised a leak?

5 A. ~~I know of no such conversations.~~ [The Prime Minister has said that there were none.]

Better answer is by an explicit quote of what you said.

Q. Was Mr Brittan interviewed during the leak inquiry by Sir Robert Armstrong?

A. No. [My inquiry was limited to the role of officials.] But the Prime Minister discussed the findings of the inquiry with him on 22 January, and I was present.

Q. Did he discuss with his staff the likely course of the leak inquiry?

A. I know of no such conversations, but it is a matter for Mr Brittan to answer. My inquiry was concerned only with the disclosure itself, and not with people's reactions after the event.

Q. Why was the Solicitor General not told that his letter was being leaked?

A. The discussions which led to the decision to choose this particular means of disclosure are now well documented. The Prime Minister has said that she deeply regrets that the disclosure was made without reference to the Solicitor General.

See marginal comment on previous page. RTA should not answer.

010

NW



Sir Brian Hayes KCB
Permanent Secretary

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 3172
GTN 215
(Switchboard) 01-215 7877

4 February 1986

Robert Rogers Esq
Clerk to the Committee
Committee Office
House of Commons
LONDON
SW1A 0AA

For information:

Ps/Sos
Sir Robert Armstrong
→ Nigel Wicks
Muelo Maclean
David Morris

Dear Mr. Rogers,

will re-examine if req.

You wrote to me on 28 January requesting this Department to provide for the Defence Committee of the House of Commons copies of Mr Brittan's minute of 4 October 1985 to the Prime Minister on the subject of Westland plc and of the note dated 18 October 1985 of the meeting between Mr Brittan and Sir John Cuckney on 17 October 1985.

Ministers have now completed their consideration of this request. They do not think it appropriate or in accordance with the normal conventions to make available inter-departmental correspondence of this kind, but in order to give the Committee all possible assistance they have authorised me to provide the enclosed memoranda about the two documents. These summarise the views put forward by the Secretary of State in his minute of 4 October and the record of his conversation with Sir John Cuckney on 17 October. Every attempt has been made to ensure that the summaries are accurate and include all material points.

Yours sincerely,
Brian Hayes
BRIAN HAYES

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MR BRITTAN'S MINUTE OF 4 OCTOBER 1985

Mr Brittan's minute began by setting out the background. Westland had put to the DTI and MOD the company's proposals for a financial reconstruction necessary to put Westland on course to future viability. The main features were:

- i. the raising of new capital from existing shareholders and from a new outside minority shareholder, whether Sikorsky or a European source;
- ii. the conversion of bank debt into equity;
- iii. Government underwriting of 45 W.30-160 sales.

2. Mr Brittan reported that DTI and MOD officials considered that such a package would provide a reasonable prospect of viability; that if nothing were done, Westland would probably go into receivership; and that underwriting of only 21 helicopters, subject to discussion with the banks, might provide an adequate reconstruction package.

3. Mr Brittan said he considered underwriting 45 sales would be unjustified. He considered, however, that the company might be told that if by the end of November

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contract discussions with the Indian Oil and Natural Gas Corporation for the sale of 21 W.30s were still active, although not finalised, the Government would at that stage be prepared to consider underwriting that number of aircraft. However he thought a decision should be taken at the time in the light of progress in India. In any event, the Government should only involve itself in a reconstruction package if satisfactory assurances were received from Westland on the continuation of collaborative and launch-aided projects and of support for Westland aircraft in service with British forces.

4. Mr Brittan went on to suggest that there were no industrial policy grounds for giving a high priority to support of Westland in considering the disposition of Government financial resources. He noted that the proposed reconstruction package would not in itself ensure continuation of the launch-aided W.30-300 programme: the critical factor here he believed would be a MOD launch order. On the other hand, the package should ensure the continuation of the EH101.

5. Mr Brittan then briefly noted that there were military, international and political considerations also to be taken into account.



6. Turning to the question of an overseas shareholder, Mr Brittan noted that at that stage Sikorsky appeared the company most likely to be prepared to come in. There were no proposals from British companies. Westland were in contact with MBB, Aerospatiale and Agusta. Mr Brittan considered Westland should be encouraged to pursue the possibility of a European solution. Although the prospects of such a solution in the time available seemed not to be good, he wanted to have a better assessment of the possibilities before responding to the proposals from the company. If, however, it became clear that Sikorsky was the only practical possibility he did not consider the company's proposals should be rejected on the sole ground that they involved an association with Sikorsky, provided the required assurances were given by the company.

7. Mr Brittan then argued that if it were eventually agreed to offer underwriting, any contingent liability to Government funds should not be met from the DTI's financial resources which were very scarce and indeed decreasing.

8. Mr Brittan then considered the possible outcome of Westland going into receivership. He noted that the position would be uncontrolled and the outcome uncertain. A buyer might be found for certain parts of the business (for

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example British Aerospace had said they might consider an acquisition of some elements of Westland after receivership). But there could be costs to the Government via ECGD and redundancy payments; and there would be risks to existing projects, including collaborative projects. Mr Brittan concluded that on a balanced judgement, it would be preferable for the Government to take part in a reconstruction package, provided the required conditions were fulfilled, rather than allow Westland to go into receivership.

9. Mr Brittan then turned to the question of Mr Gandhi's forthcoming visit to the UK. He noted that the Government must continue to do all it could to help Westland obtain the Indian contract. If a reconstruction package were in place before Mr Gandhi's visit, he could be given firm assurances. However, recalling his own belief that it would be preferable to delay a response to the company until they had made more progress in discussions with possible European partners, Mr Brittan said in that event the Prime Minister would need to be briefed to answer a number of possible questions from Mr Gandhi. He suggested officials should put such briefing in hand.



10. In a concluding section, Mr Brittan summarised his recommendations. He recommended that the Government's initial response to Westland should be to urge the company to pursue discussions with possible European partners urgently. In the light of the outcome, the Government should then decide whether it was willing to participate in a reconstruction package. He noted that it was desirable to come to a decision reasonably quickly, and in any event well before the end of November.

11. Mr Brittan finally said the Prime Minister might wish to call a meeting, particularly to consider the forthcoming talks with Mr Gandhi.



MEETING BETWEEN THE SECRETARY OF STATE FOR TRADE AND
INDUSTRY (MR BRITTAN) AND SIR JOHN CUCKNEY, 17 OCTOBER 1985

It was agreed at a meeting of Ministers on 16 October that the Secretary of State for Trade and Industry should see Sir John Cuckney as soon as possible to explain the Government's position. The meeting took place on 17 October. Attached is a summary of a letter dated 18 October from Mr Brittan's Private Secretary to Mr Heseltine's Private Secretary, recording what was said at the meeting. The summary does not cover certain material in the letter which is commercially confidential.

Following normal practice with meetings of this kind, the Private Secretary's record was not put to Sir John Cuckney for his comment or agreement before it was issued.



Mr Brittan first told Sir John the Government's assessment of the prospects for securing an order from India for 21 W30-160 helicopters, in the light of the recent visit by the Indian Prime Minister.

Sir John asked whether the Government would consider underwriting the order. Mr Brittan said he was not now authorised to make any underwriting offer. Sir John also asked about the £6m which he said the Ministry of Defence owed the company. Mr Brittan said that was a matter for MOD, but undertook to pass on to the Secretary of State for Defence Sir John's concern.

Sir John said he was well aware of the Government's preference for a European minority shareholder in Westland, and attached weight to that preference. He had held talks with MBB, Aerospatiale and Agusta, invited them all to participate, and made it clear that Westland would consider any reasonable proposition. However he considered that the interest of all three companies was negative and that they were only interested in blocking Sikorsky. They were also Government-owned, loss-making and suffering from excess capacity. Agusta appeared to be the most positive and had expressed interest in taking a shareholding with United

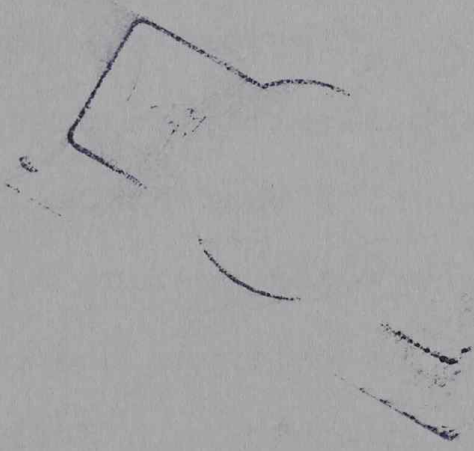
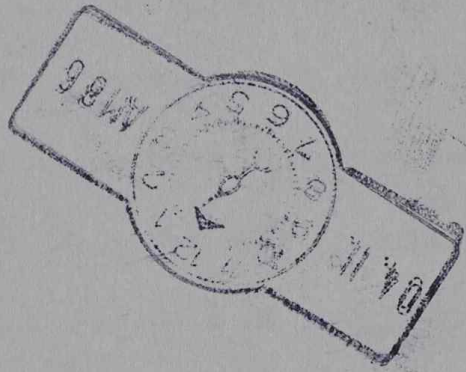
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Technologies, but they had not come forward with any definite proposals. To secure a reconstruction it would be necessary to produce a positive and forward-looking prospectus, and to secure a reconstruction in time, Westland needed a relatively quick decision. On both counts a deal with Sikorsky looked the best option if not the only one.

Mr Brittan noted what Sir John said. He said that a European minority shareholder was in both the commercial and political interests of the Government. The Government therefore wished to be certain that a deal with Sikorsky was the best, or only, option. The idea of Agusta coming in with Sikorsky was attractive and he would be grateful if this could be pursued further. Sir John said he believed he had fully discharged his responsibility to pursue the possibility of a European minority shareholder, but in view of what Mr Brittan had said he would contact Agusta again as a matter of urgency. However he believed the only practicable solution in the end would be a deal with Sikorsky.

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COMMITTEE OFFICE
HOUSE OF COMMONS
LONDON SW1A 0AA
01-219 3280/81 (Direct Line)
01-219 3000 (Switchboard)

DEFENCE COMMITTEE

CABINET OFFICE	
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4 FEB 1986	
FILING INSTRUCTION:	
FILE No.

CC - Mr Wickes
PS / Sir B Hayes
Mr Maclean.

4 February 1986

Dear Sir Robert,

Thank you for your letter of today's date, which the Defence Committee considered at their meeting this morning.

The Committee have asked me to invite you to give evidence to them tomorrow morning, Wednesday 5 February, beginning at 1015 in Committee Room 15.

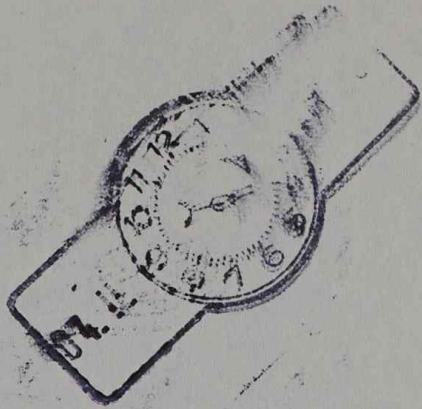
The Committee have noted what you say about the basis on which you have offered to give evidence. As the Chairman made clear at the outset of this inquiry, one of the aspects the Committee wish to examine is the decision-making process in this case. The Committee will therefore consider their course of further proceeding in the light of the answers that you give.

I am instructed that the Committee's request for named officials to attend at some stage stands. I will of course write again after tomorrow's meeting.

Yours sincerely,
Robert Rogers

Robert Rogers
Clerk to the Committee

Sir Robert Armstrong GCB CVO
Secretary of the Cabinet and Head of the
Home Civil Service
70 Whitehall
London SW1A 2AS





cc - Mr Wicks
Mr Maclean
PS/SS/DTI
Sir B Hayes .

70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A086/366

4 February 1986

Select Committee on Defence

I understand that, in connection with your Committee's inquiry into the defence implications of recent developments relating to Westland plc, you have invited Miss Colette Bowe, Mr M J Michell and Mr J F Mogg of the Department of Trade and Industry and Mr Bernard Ingham and Mr Charles Powell of the Prime Minister's office, to attend and give evidence to the Committee.

All five of these officials gave a full account of their role in these matters to me in the course of my recent inquiry and co-operated fully in my investigation. The Prime Minister and the Secretary of State for Trade and Industry believe that your Committee will recognise and share their view that it would be neither fair nor reasonable to expect these officials to submit to a second round of detailed questioning, of the kind that would be involved in giving evidence to your Committee.

With the Prime Minister's agreement, however, I am writing to you to say that, if the Committee believed that it would be helpful, I should be ready to accept an invitation to give evidence to the Committee. The basis of my evidence would of course be the comprehensive account of the matters in question which the Prime Minister gave the House of Commons on 23 and 27 January. I would hope, on the basis of my inquiry, to be able to deal as helpfully as possible with the Committee's questions, consistently with the normal conditions of confidence under which my inquiry was conducted.

No doubt you will let me know whether the Committee wishes to invite me to attend and, if so, when.

ROBERT ARMSTRONG

Robert Rogers Esq



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DEFENCE COMMITTEE

[FOR IMMEDIATE RELEASE]

The following statement was issued by the Defence Committee at 1230 today:

The Defence Committee met in private this morning to consider their further course of proceeding in the Westland inquiry. As part of their investigation of the defence implications of the future of Westland plc, the Committee had agreed to examine the way decisions affecting defence had been taken in this particular case. They had therefore requested the attendance as witnesses of Mr John Michell, Mr John Mogg and Miss Colette Bowe of the Department of Trade and Industry; Mr Bernard Ingham, Chief Press Officer at No 10 Downing Street; and Mr Charles Powell, a Private Secretary to the Prime Minister. In a letter of 29 January to the Clerk to the Committee, Sir Brian Hayes, Permanent Secretary at the Department of Trade and Industry, informed the Committee that the Secretary of State for Trade and Industry did not regard it as appropriate that the DTI officials requested by the Committee should appear. Sir Brian was questioned on this point when the Committee took oral evidence on Thursday 30 January. The Committee's request for the attendance of the named officials stands.

This morning the Committee received the attached letter from Sir Robert Armstrong, Secretary to the Cabinet and Head of the Home Civil Service. The Committee's response is also attached.

The Committee have decided to take oral evidence from Sir Robert Armstrong in public at 1015 tomorrow, Wednesday 5 February, in Committee Room 15. In the light of that evidence the Committee will decide how to proceed.

On 28 January the Committee called for the production of two documents: the Minute of 4 October 1985 on the subject of Westland plc from Mr Brittan to the Prime Minister, and the note dated 18 October 1985 of the meeting between Mr Brittan and Sir John Cuckney which had taken place the previous day. This morning the Committee received the attached letter from Sir Brian Hayes.

Robert Rogers
Clerk to the Committee



70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

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Sir Robert Armstrong GCB CVO

Ref. A086/366

4 February 1986

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Yours sincerely

Robert Armstrong

Robert Rogers Esq



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DEFENCE COMMITTEE

4 February 1986

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Robert Rogers

Robert Rogers
Clerk to the Committee

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Sir Brian Hayes KCB
Permanent Secretary

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

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4 February 1986

Robert Rogers Esq
Clerk to the Committee
Committee Office
House of Commons
LONDON
SW1A 0AA

Dear Mr. Rogers,

You wrote to me on 28 January requesting this Department to provide for the Defence Committee of the House of Commons copies of Mr Brittan's minute of 4 October 1985 to the Prime Minister on the subject of Westland plc and of the note dated 18 October 1985 of the meeting between Mr Brittan and Sir John Cuckney on 17 October 1985.

Ministers have now completed their consideration of this request. They do not think it appropriate or in accordance with the normal conventions to make available inter-departmental correspondence of this kind, but in order to give the Committee all possible assistance they have authorised me to provide the enclosed memoranda about the two documents. These summarise the views put forward by the Secretary of State in his minute of 4 October and the record of his conversation with Sir John Cuckney on 17 October. Every attempt has been made to ensure that the summaries are accurate and include all material points.

Yours sincerely
Brian Hayes
BRIAN HAYES

JF2AUJ



MR BRITTAN'S MINUTE OF 4 OCTOBER 1985

Mr Brittan's minute began by setting out the background. Westland had put to the DTI and MOD the company's proposals for a financial reconstruction necessary to put Westland on course to future viability. The main features were:

- i. the raising of new capital from existing shareholders and from a new outside minority shareholder, whether Sikorsky or a European source;
- ii. the conversion of bank debt into equity;
- iii. Government underwriting of 45 W.30-160 sales.

2. Mr Brittan reported that DTI and MOD officials considered that such a package would provide a reasonable prospect of viability; that if nothing were done, Westland would probably go into receivership; and that underwriting of only 21 helicopters, subject to discussion with the banks, might provide an adequate reconstruction package.

3. Mr Brittan said he considered underwriting 45 sales would be unjustified. He considered, however, that the company might be told that if by the end of November

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contract discussions with the Indian Oil and Natural Gas Corporation for the sale of 21 W.30s were still active, although not finalised, the Government would at that stage be prepared to consider underwriting that number of aircraft. However he thought a decision should be taken at the time in the light of progress in India. In any event, the Government should only involve itself in a reconstruction package if satisfactory assurances were received from Westland on the continuation of collaborative and launch-aided projects and of support for Westland aircraft in service with British forces.

4. Mr Brittan went on to suggest that there were no industrial policy grounds for giving a high priority to support of Westland in considering the disposition of Government financial resources. He noted that the proposed reconstruction package would not in itself ensure continuation of the launch-aided W.30-300 programme: the critical factor here he believed would be a MOD launch order. On the other hand, the package should ensure the continuation of the EH101.

5. Mr Brittan then briefly noted that there were military, international and political considerations also to be taken into account.



6. Turning to the question of an overseas shareholder, Mr Brittan noted that at that stage Sikorsky appeared the company most likely to be prepared to come in. There were no proposals from British companies. Westland were in contact with MBB, Aerospatiale and Agusta. Mr Brittan considered Westland should be encouraged to pursue the possibility of a European solution. Although the prospects of such a solution in the time available seemed not to be good, he wanted to have a better assessment of the possibilities before responding to the proposals from the company. If, however, it became clear that Sikorsky was the only practical possibility he did not consider the company's proposals should be rejected on the sole ground that they involved an association with Sikorsky, provided the required assurances were given by the company.

7. Mr Brittan then argued that if it were eventually agreed to offer underwriting, any contingent liability to Government funds should not be met from the DTI's financial resources which were very scarce and indeed decreasing.

8. Mr Brittan then considered the possible outcome of Westland going into receivership. He noted that the position would be uncontrolled and the outcome uncertain. A buyer might be found for certain parts of the business (for

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example British Aerospace had said they might consider an acquisition of some elements of Westland after receivership). But there could be costs to the Government via ECGD and redundancy payments; and there would be risks to existing projects, including collaborative projects. Mr Brittan concluded that on a balanced judgement, it would be preferable for the Government to take part in a reconstruction package, provided the required conditions were fulfilled, rather than allow Westland to go into receivership.

9. Mr Brittan then turned to the question of Mr Gandhi's forthcoming visit to the UK. He noted that the Government must continue to do all it could to help Westland obtain the Indian contract. If a reconstruction package were in place before Mr Gandhi's visit, he could be given firm assurances. However, recalling his own belief that it would be preferable to delay a response to the company until they had made more progress in discussions with possible European partners, Mr Brittan said in that event the Prime Minister would need to be briefed to answer a number of possible questions from Mr Gandhi. He suggested officials should put such briefing in hand.



10. In a concluding section, Mr Brittan summarised his recommendations. He recommended that the Government's initial response to Westland should be to urge the company to pursue discussions with possible European partners urgently. In the light of the outcome, the Government should then decide whether it was willing to participate in a reconstruction package. He noted that it was desirable to come to a decision reasonably quickly, and in any event well before the end of November.

11. Mr Brittan finally said the Prime Minister might wish to call a meeting, particularly to consider the forthcoming talks with Mr Gandhi.



MEETING BETWEEN THE SECRETARY OF STATE FOR TRADE AND
INDUSTRY (MR BRITTAN) AND SIR JOHN CUCKNEY, 17 OCTOBER 1985

It was agreed at a meeting of Ministers on 16 October that the Secretary of State for Trade and Industry should see Sir John Cuckney as soon as possible to explain the Government's position. The meeting took place on 17 October. Attached is a summary of a letter dated 18 October from Mr Brittan's Private Secretary to Mr Heseltine's Private Secretary, recording what was said at the meeting. The summary does not cover certain material in the letter which is commercially confidential.

Following normal practice with meetings of this kind, the Private Secretary's record was not put to Sir John Cuckney for his comment or agreement before it was issued.



Mr Brittan first told Sir John the Government's assessment of the prospects for securing an order from India for 21 W30-160 helicopters, in the light of the recent visit by the Indian Prime Minister.

Sir John asked whether the Government would consider underwriting the order. Mr Brittan said he was not now authorised to make any underwriting offer. Sir John also asked about the £6m which he said the Ministry of Defence owed the company. Mr Brittan said that was a matter for MOD, but undertook to pass on to the Secretary of State for Defence Sir John's concern.

Sir John said he was well aware of the Government's preference for a European minority shareholder in Westland, and attached weight to that preference. He had held talks with MBB, Aerospatiale and Agusta, invited them all to participate, and made it clear that Westland would consider any reasonable proposition. However he considered that the interest of all three companies was negative and that they were only interested in blocking Sikorsky. They were also Government-owned, loss-making and suffering from excess capacity. Agusta appeared to be the most positive and had expressed interest in taking a shareholding with United

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Technologies, but they had not come forward with any definite proposals. To secure a reconstruction it would be necessary to produce a positive and forward-looking prospectus, and to secure a reconstruction in time, Westland needed a relatively quick decision. On both counts a deal with Sikorsky looked the best option if not the only one.

Mr Brittan noted what Sir John said. He said that a European minority shareholder was in both the commercial and political interests of the Government. The Government therefore wished to be certain that a deal with Sikorsky was the best, or only, option. The idea of Agusta coming in with Sikorsky was attractive and he would be grateful if this could be pursued further. Sir John said he believed he had fully discharged his responsibility to pursue the possibility of a European minority shareholder, but in view of what Mr Brittan had said he would contact Agusta again as a matter of urgency. However he believed the only practicable solution in the end would be a deal with Sikorsky.

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10 DOWNING STREET

From the Principal Private Secretary

Sir Robert Armstrong.

C.C.:

Mr. Wiggins (Cabinet Office)

Mr. Powell

Mr. Ingham

Mr. Flesher ✓

Sir David Wolfson told the Prime Minister on Friday evening that her statements to Parliament left unclear four questions on the affair of the disclosure of the Solicitor General's letter. He believed that if the Prime Minister could, in some way, answer these questions, the Government's position would be much strengthened and accusations about a "cover up" could be disposed of.

The Prime Minister indicated to Sir David that she was reluctant to give further detailed information to Parliament on these matters. Answers, however specific, could generate further questions; detailed answers might stimulate unhelpful glosses; and they might, in any event, suggest a spurious accuracy about recollections. She did, however, ask me to check with you whether answers could be found to Sir David's four questions which might, if necessary, be used in public.

The questions were as follows:

1. Why did the Prime Minister prompt the Solicitor General's letter?

The Prime Minister has dealt with this exhaustively in her statement last Monday (Col. 652 Hansard, 27 January), and I think this question can easily be answered by reference to that.

2. What is meant by "It was accepted ..." in the sentence "It was accepted that the Department of Trade and Industry should disclose that fact and that, in view of the urgency of the matter, disclosure should be made by means of a telephone communication to the Press Association" (Col. 450 Hansard, 23 January).

A possible answer here might be on the following lines:

The No.10 office accepted that it was within the authority of the Department of Trade and Industry to disclose certain contents of the Solicitor General's letter, and they were content to abide by DTI's judgement. No.10 saw no reason therefore to take any other decision on the disclosure. DTI officials, as the Prime Minister explained in the House on 27 January (Col. 655 Hansard), had a different understanding of the conversation.:

"They believed that they had the agreement of my office, and acted in good faith, in the knowledge that they had authority from their Secretary of State and cover from my office." (Col. 655, Hansard 27 January).

3. What is meant by the phrase "in general terms" in the sentence in the Prime Minister's statement "I was told, in general terms, that there had been contacts between my office and the Department of Trade and Industry" (Col. 657, Hansard 27 January).

A possible answer here is:

"The Prime Minister was told by her office that the Department of Trade and Industry had spoken to No.10 about publication, No.10 had declined to disclose the Solicitor General's letter, but they had not told DTI not to disclose it."

The problem with this answer is that it could suggest a somewhat spurious accuracy.

4. Why had the then Secretary of State for Trade and Industry not told the Prime Minister about his involvement in the disclosure for 16 days?

He had not raised the issue with the Prime Minister because he believed that No.10 knew the full circumstances of the disclosure. This was not the case because of the genuine difference in understanding between officials which the Prime Minister referred to in her statement of 27 January (Col. 655 Hansard).

For the reasons advanced in the second paragraph of this minute, I would not readily advise the Prime Minister to answer these questions. Nevertheless, we may find that we need to, and I should therefore be grateful for urgent advice, both from you and the other recipients of this minute, on the various answers suggested above.

N.L.W.

NLW

3 February, 1986.



HOUSE OF COMMONS
LONDON SW1A 0AA

The Office of the
Leader of The Opposition

Monday, February 3rd 1986

Dear Prime Minister,

Last Tuesday, as you would expect, I examined the Hansard record of your speech on Monday, January 27th.

Column 655, in which you set out your description of the exchanges on January 6th between the officials of the Department of Trade and Industry and those in your office, particularly interested me.

I consequently raised the matter with you at Question Time on Tuesday, January 28th. You will recall that the exchange was as follows:-

Mr. Kinnoek: If a Department of State seeks agreement from the Prime Minister's Office and gets acceptance, is not that acceptance acquiescence? There really can be no misunderstanding about that.

The Prime Minister: I made a full statement yesterday and I made a full one previously. I have nothing further to add.

Mr. Kinnoek: But if there is no dispute, if there is no disagreement, if there is no refusal and if there is no objection is not the acceptance of a request for agreement acquiescence? Will the Prime Minister give a straightforward answer to a straightforward question? Is it acquiescence—yes or no?

The Prime Minister: I do not share the right hon. Gentleman's view of a straightforward question. *[Interruption.]* My authority was neither sought nor obtained for the disclosure. I have nothing further to add.

It has since become clear that many share the view that, in the circumstances of the exchange between the Department of Trade
/.and Industry

and Industry and your office, "accept" could not mean other than acquiescence or assent.

From your own account of the findings of the Inquiry, it is clear that your office was emphatic in its refusal to make the leak from 10 Downing Street. The Department of Trade and Industry officials clearly comprehended and acted accordingly.

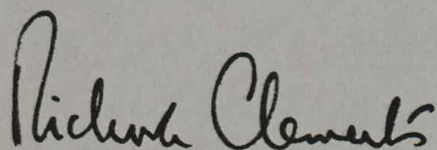
By contrast, however, no such refusal or resistance has been claimed in the very specifically and closely related matters of whether to leak the Solicitor-General's letter, whether to make the leak from the Department of Trade and Industry and whether to employ the methods that were in fact used.

The conclusion can only be drawn that such circumstances did not lead to misunderstanding but to full understanding that in the absence of dissent the Department of Trade and Industry officials could proceed with the assent of the officials in your office.

When there are such central issues left unresolved it is necessary for both the record of evidence and the papers available to the Inquiry to be made public, as well as the Inquiry report itself.

I am sure that the public interest would be served if you would make the the appropriate arrangements for publication forthwith.

Yours sincerely,



Neil Kinnock

Dictated and signed in Mr Kinnock's absence.

Rt. Hon. Margaret Thatcher M.P.



COMMITTEE OFFICE
HOUSE OF COMMONS
LONDON SW1A 0AA
01-219 3280/81 (Direct Line)
01-219 3000 (Switchboard)

CDD
28/2

DEFENCE COMMITTEE

3 February 1986

Dear Mr Powell,

I am writing to confirm our telephone conversation of Friday 31 January. The Defence Committee have asked me to let you know that while their invitation to you to give evidence before them still stands, circumstances make it unlikely that the original time of 1645 on Tuesday 4 February will now be appropriate.

When matters have progressed I will write to you again to let you know of the new date and time.

Yours sincerely,

Robert Rogers
Clerk to the Committee

C D Powell Esq
Private Secretary to the Prime Minister
No 10 Downing Street
London SW1



~~OK~~

PRIME MINISTER

We understand that Sir Raymond Lygo wishes to know how a request for a meeting with you would be received.

He has in mind that such a meeting could consider Turkey (he visits the country in 10 days' time and will be returning before you meet Mr Ozal, and would be able to let you have a report; the Saudi contracts; and "the way ahead" more generally.

You have decided not to meet Lord Weinstock for the time being and you will wish to follow the same policy in relation to Sir Raymond. I shall make quite clear in responding to these soundings that there is no question of anyone being "stand-offish"; but that from everybody's point of view a meeting would be best to be left until the dust has settled.

Content?

I shall be very happy

to see him when the

MEFA

future of Weinstock has been

MARK ADDISON

decided.

31 January 1986

ms

SLHAIY

1. Mr Lygo's Fee. I have
informed Abdul Husayn

2. Cf. R p c.

MEFA 3/1

Aerospace ; Westlands ;



PRIME MINISTER

MARK ADDISON

PERSONAL



10 DOWNING STREET

From the Principal Private Secretary

31 January, 1986.

Thank you for your letter of 28 January. It was good of you to write in the way that you did, and, of course, I have shown your letter to the Prime Minister.

(N.L. Wicks)

Sir Brian Hayes, K.C.B.

PERSONAL

1. Duty Civil
PC CC
NZ Start.

(copy to me)

1. A. Johns
2. A. Rowell
3. A. Brown

BBC RADIO 4 "WORLD AT ONE"

FRIDAY 31 JANUARY

INTERVIEW WITH JOHN WARD, GENERAL SECRETARY OF THE
ASSOCIATION OF FIRST DIVISION CIVIL SERVANTS

BRIAN REDHEAD: What happens then if the civil servants involved in the famous leak are permitted to give evidence ?

JW: In this case, the first thing they'd do is go and see the Minister and get a steer as to what line they were supposed to take because we have to remember that when civil servants appear in front of Select Committees they are appearing on behalf of the Minister, they don't have, under present conventions, any constitutional authority or separate identity apart from being there as a representative of the Minister.

BR: Mr Channon as you well know at the Department of Trade and Industry has up to now refused to let his civil servants give any evidence to the Select Committee. If however Mrs Thatcher decides that it would be a good idea that they did so, and Mr Channon said yes you may give evidence to the Select Committee but you may not answer questions, what happens then? Is the Civil Servant entitled to contest that with his Minister?

JW: In private, the civil servant might want to argue with the Minister and say don't you think it would be better Minister if I was able to be frank and was able to answer the questions? I don't think it would be possible in this case, because it appears that the reason why the Select Committee wants to see the civil servants is because they've not been getting satisfactory answers from the Ministers. So they are in effect trying to put the civil servant in the position of telling tales on the Minister and that is just not possible under the conventions which govern the relations between civil servants and Ministers today.

BR: Supposing a civil servant actually turns round to his Minister and says Minister people are openly talking now of a cover up by the Government, do you expect me

MIOACG

to participate in that cover up in public before the Defence Committee?

JW: Well, I think a Minister would find euphemisms to avoid using words like cover up, and I don't think a civil servant would desist in challenging the Minister. The public may feel that this is a moral issue, but basically, under present conventions civil servants work for Ministers. If an employee, a senior employee of a major private company publicly disobeys an instruction from the Managing Director, then that employee knows what will happen.

BR: What would happen if the civil servant did in fact do that? Having been instructed by his Minister not to answer any questions, goes before the Select Committee, answers them all, in other words spills the beans? Is he automatically for the chop?

JW: Well this is a hypothetical case, but its very difficult I think to see an employer, and in this case the Government is the employer, taking anything other than a very hard line with the employee. We get into very deep and important waters here, because a civil servant might try to justify going against the ministerial instruction and, as you say, spilling the beans, on the grounds that it was in the public interest, in the national interest that these facts should be known, but it would be a matter of conscience, and in that case, the chances are that the civil servant concerned would become a martyr.

BR: John Ward of the Association of First Division Civil Servants.

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Mr Powell
CDD to see?
3/7

One Minute



70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

[Handwritten signature]

From the Secretary of the Cabinet and Head of the Home Civil Service
Sir Robert Armstrong GCB CVO

Ref. A086/349

31 January 1986

Dear Murdo,

Westland: Officials Appearing Before Select Committees

We spoke this evening about the current position, which might be summarised as follows:

- (a) The Clerk of the Defence Select Committee has indicated to Mr Powell and Mr Ingham that they will not be required to give evidence on Tuesday 4 February.
- (b) The Clerk has asked Sir Brian Hayes whether the named officials from the DTI might be available on 5 February, should the Committee again request their attendance: but he has implied (if I am correctly informed) that such a request would not take the form of a summons.
- (c) The Chairman, Sir Humphrey Atkins, has told the Solicitor General that, despite the letter requesting this, he will not be expected to give evidence to the Committee. The Solicitor General's office have conveyed orally to the Clerk the reasons why it would have been inappropriate for him to do so: but it has not been necessary for the Solicitor to write a formal letter of refusal.
- (d) The Chief Whip's discussions with the Chairman of the Committee will resume on 3 February, and may lead towards a compromise of which the main element would be the preparation by the Committee of a questionnaire, to be submitted in advance, on the basis of which Sir Robert Armstrong might be invited to give evidence in place of any of the five named officials (No 10 and DTI).

/This

Murdo MacLean Esq

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This may prove an over-optimistic scenario. You explained to me the personal sensitivities of individual members of the Committee, and the need to persuade the Committee as a whole that what we are working towards is not a new departure, a refusal of the legitimate rights of Select Committees, a contempt of Parliament etc.

In his further discussions with Sir Humphrey Atkins, I suggest that the Chief Whip might stress the long-standing conventions which support the position we are adopting. I attach a quarry of material on which he could draw. The quotation from the First Report from the Select Committee on Procedure, which remains the agreed position, is important; so also are the precedents, which I think taken together tell a reasonably convincing story. It might be worth suggesting to Sir Humphrey that the Committee, if it did take evidence from Sir Robert Armstrong, could ask him some questions about these conventions and precedents. It might be positively helpful to us to restate these matters on the record; and it might also help the Chairman in his position vis-à-vis the other members.

Sir Robert Armstrong would of course also appear before the Committee only on Ministerial authority and under Ministerial instructions. There would therefore be areas of questioning on which he would not wish to be drawn beyond what Ministers have already stated on the record. But he might be able to confirm, if asked, that those Ministerial statements represent a fair and accurate statement of the facts of his inquiry into the disclosure of the Solicitor General's letter, and that there are no hidden subterfuges. A statement of that kind, coming from the Head of the Civil Service, could be of considerable value, not only with Members of Parliament but with public opinion.

I also enclose a draft negotiating brief for the Chief Whip's use, prepared at an earlier stage. It is somewhat overtaken by events but contains some material which may still be useful.

I am copying this letter and enclosures to Nigel Wicks (No 10), David Morris (Lord Privy Seal's Office), John Mogg (DTI) and Ken Lussey (DTI).

Yours ever

Michael

(M C Stark)
Private Secretary

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OFFICIALS APPEARING BEFORE SELECT COMMITTEES

Terms of Reference of Select Committees

Under Standing Order 99 Select Committees are appointed "to examine the expenditure, administration and policy of the principal government departments." The words underlined are broad enough to cover almost any questions that a Committee might want to put to Ministers or officials on the conduct of Departmental business. Each Committee is concerned with the affairs of a particular department. However, it is not unusual for Ministers or officials of one Department to appear before the Select Committee for another Department where the subject matter of the inquiry makes this relevant. Any attempt to argue that a particular matter falls within the purview of another Departmental Committee is unlikely to be fruitful. It merely shifts the issue to that other Committee and in fact Committees can if they wish sit together on matters of common interest. In any case it has always been accepted that interpretation of its terms of reference is a matter for the Committee. If the Government wanted to challenge them, it could only do so in the House itself.

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Power to send for Previous Papers and Records (PPR)

Select Committees are given powers by the House to send for persons, papers and records. In the last resort though these powers can only be enforced by the House.

The power to send for 'persons' enables a Committee to summon a witness to attend the Committee and to bring with them all such documents as they are informed will be required for the use of the Committee. This power to require attendance is formally unlimited. The only exemptions concern Peers (who may attend "if they think fit") and members of the House of Commons (including Ministers) who may be requested to attend, but can only be ordered to attend by the House itself.

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Conventions

In practice the exercise of the legal powers of Committees is constrained by convention. Conventions covering the withholding of documents from Committees (eg Cabinet documents) are not dealt with in this note.

As far as the attendance of official witnesses is concerned the most authoritative statement of the conventions appears in the First Report of the Select Committee on Procedure (1977/8 Session) and in the Memorandum submitted by the Clerk to the Procedure Committee.

After setting out the Committee's powers the Clerk went on to state in para 15

"Finally it may be noted that, by long-standing practice, committees requiring evidence from officials of a department of state or other body have usually left it to them to select the person or persons to give evidence. There is no doubt, however, that a committee possessing PPR could summon a named official if it so wished, but to summon an individual civil servant against the wishes of the Minister to whom he is responsible might lead to his being instructed by that Minister not to answer a committee's questions in his official capacity."

He went on to state in para 25

"The case is of course different in regard to civil servants, who can only be presumed to attend as servants of the Crown acting under the direction of Ministers of the Crown. Civil servants do in fact on occasion ask to be excused from answering questions, in accordance with the practice acknowledged in Select Committee procedure and mentioned in the last sentence of paragraph 21 of this memorandum. The most usual ground upon which excusal is requested is that a question concerns policy within the control of Ministers and could only be answered by Ministers. There is no case on record so far as we are aware of a civil servant being ordered to answer a question, still less for a formal report being made to the House of his refusal to do so. Though civil servants are sometimes placed under some pressure to reveal more than they have been prepared to do, it would seem that committees acknowledge that a servant of the Crown may have instructions from the Crown's Ministers as to how he should reply and that the proper remedy lies against the Minister concerned. It would certainly appear more in accordance with Ministerial accountability to the House that Ministers should accept responsibility for the conduct of their officials, and that the House should proceed against Ministers in the last resort by vote of censure or indeed by the refusal of supply."

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In the Committee's Report itself, these points were reflected in paras 7.8 and 7.10

"The evidence which government departments and agencies are prepared to give, however, is limited in practice both by political considerations and by various conventions, some of which have come to be regarded as binding. There is, for instance, a long-standing practice that committees requiring evidence from a Government department usually leave it to the department to nominate their witnesses. There has also been a recent case of the Government insisting on the right to choose which Minister or Ministers should represent it before a committee. Civil Servants are presumed to attend on behalf of Ministers and under their directions, and may occasionally ask to be excused from answering questions, most often on the grounds that they involve policy matters which are the responsibility of Ministers.

"It would not, however be appropriate for the House to seek directly or through its committees to enforce its rights to secure information from the Executive at a level below that of the ministerial head of the department concerned (normally a Cabinet Minister), since such a practice would tend to undermine rather than strengthen the accountability of Ministers to the House."

The 20th Edition of Erskine May refers to the Clerk's Memorandum as giving a "comprehensive description" of the powers of Select Committees on PPR.

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Government Undertakings

It has been recognised that there may be differences of interpretation between Ministers and Committees as to the application of these conventions in practice. Acknowledging this there have been two relevant undertakings:-

In 1979 the Leader of the House said (Hansard 25 June 1979 Cols 45-6):

"There need be no fear that departmental Ministers will refuse to attend committees....or that they will not make every effort to ensure that the fullest possible information is made available to them. I give the House the pledge on the part of the Government that every Minister....will do all in his or her power to co-operate with the new system of committees and to make it a success".

Subsequently in 1981 the Leader of the House said (Hansard 16 January 1981 Col. 1312):

"I am entirely prepared to give a formal undertaking that where there is evidence of widespread general concern in the House regarding an alledged ministerial refusal to disclose information to a select committee, I shall seek to provide time to enable the House to express its view."

It follows from this that, if a Committee were to report formally to the House the refusal of a Minister to allow the attendance of witnesses ordered by the Committee to give evidence, the Government would be obliged to make time for the matter to be debated, if they considered that the report was supported by "widespread general concern in the House".

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Precedents

There are very few precedents in total in this area, and only one is directly relevant:

Clive Whitmore: in July 1978 Mr Whitmore, then an Under Secretary in the Cabinet Secretariat, was asked to appear before the Trade and Industry Sub-Committee of the Expenditure Committee in his role as Chairman of a Cabinet Office Official Committee, the existence of which had been revealed to the Sub Committee in earlier evidence. The Prime Minister agreed that he should not be allowed to take up this invitation 'on the grounds that the Cabinet Office, of which he is an official, does not have any direct responsibility' in the matters being investigated by the Sub-Committee (MG 23/605/01C, 12 July 1978). The Sub-Committee then ordered Mr Whitmore's appearance (19 July 1978). The issue was resolved when the Sub-Committee agreed to take evidence from Lord Peart, then Lord Privy Seal but with special responsibility for co-ordinating maritime matters (the Committee's area of concern) accompanied by Mr Whitmore and various other officials.

Other, less relevant precedents, are:

Mr Denman, Head of the Cabinet Office European Unit, was invited by name (1976) to give evidence to a joint House of Lords/House of Commons European Committee's enquiry into the European Regional Development Fund. No further details are available.

Sir Kenneth Stowe, Permanent Secretary DHSS, was invited by name to give evidence to the Agriculture Committee. It was informally agreed with the Committee that other DHSS officials should appear with MAFF officials in the lead.

GCHQ: in 1984 three specified GCHQ officials were invited to give evidence to the Foreign Affairs Committee; their appearance was not allowed on the basis that they were serving members of the security and intelligence services. This was accepted by the Committee.

Industry and Trade Committees have twice had recourse to the Serjeant-at-Arms to obtain documents from nationalised industries - from BSC in 1978 and British Shipbuilders in 1984. In the earlier case some but not all the documents requested were supplied, by agreement with the (reluctant) Committee. In the later case, the documents were supplied on a confidential basis.

Prime Minister was asked in March 1978 to give oral evidence on Civil Service matters to the General Sub Committee. Precedents dug up at that stage related to the 1930s when Prime Ministers had appeared before Select Committees, though they had refused to do so, on Civil Service matters, in 1873 and 1941. There have been no Prime Ministerial appearances since the Second World War. Confrontation with the Committee was avoided by the

offer of the Lord Privy Seal to give evidence since the Lord Privy Seal had been deputed by the Prime Minister to deal with such issues as the Committee were interested in. This was accepted. No attempt was made to argue that the Prime Minister should not in principle appear.

A further Prime Minister precedent arose in February 1980 when the industry and Trade Committee asked for a note from the Prime Minister on a merger between the Departments of Industry and Trade. It was decided that even a note from the Prime Minister would be undesirable; the Secretary of State for Trade and Industry finally answered the Committee's questions in a letter which was cleared with the Prime Minister.

We can trace no precedents on private secretaries or press officers, except that Mr Bernard Ingham gave evidence in July 1982 to the Defence Select Committee on media handling during the Falklands campaign. This was the first ever occasion on which an official from 10 Downing Street had given evidence in this way; the departure from precedent was justified on the grounds that it was a matter for which Mr Ingham had had direct executive responsibility, not merely in his capacity as a member of the Prime Minister's personal staff.

NEGOTIATING BRIEF FOR CHIEF WHIP

1. Officials appearing before Select Committees to give evidence do so on behalf of their Ministers. As the Procedure Committee, whose recommendations led to the establishment of the Departmental Select Committee, pointed out (First Report from the Select Committee on Procedure, Session 1977/8, paragraph 7.8):

"It is a long-standing practice that Committees requiring evidence from a Government Department leave it to the Department to nominate their witnesses."

[They instanced this as an example of the way in ^{which} the formally almost unrestricted powers of Select Committees to call for Persons, Papers and Records (PPR) are in practice limited by a number of accepted conventions eg. with regard to the disclosure of matters affecting national security]

2. As the Prime Minister pointed out on Thursday in the House, this long-standing practice is particularly relevant in the case of Private Secretaries, and other Private Office staff, who must stand in an especially personal relationship to their Ministers.

3. What Ministers are proposing therefore in this instance (ie. that it is for Ministers to decide who should appear before Select Committees on their behalf) is not new - it has been accepted practice for a long time.

4. It is fully accepted that all these conventional limits to the formal PPR powers of Select Committees rest ultimately on a

judgement of where the overall public interest lies, and are subject to the overriding decision of the House of Commons.

5. It is also recognised that cases may arise - in general or in exceptional circumstances - where there may arise differences of opinion between a Committee and Ministers as to where the public interest lies in a particular case, and about whether or not the normal conventions governing the disclosure of information to Select Committees should be set aside. Where such differences cannot be resolved, and an acceptable compromise achieved, it is ultimately for the House as a whole to decide. The Government is pledged to provide an opportunity for debate if there is evidence of widespread general concern in the House regarding an alleged Ministerial refusal to disclose information to a Select Committee.

6. Subject, therefore, to the overriding power of the House, the view of Ministers is that it is essential to maintain in this matter the constitutional position that it is Ministers who are accountable to Parliament, and that officials appearing before Select Committees only do so when instructed to do so by their Ministers and subject to their direction.

7. Ministers hope accordingly that the Committee will agree that the normal conventions in this matter should apply, and that the Committee will permit the responsible Minister either to give evidence personally or to designate those officials whom he considers, in consultation with the Committee, appropriate in the circumstances to appear before the Committee to give evidence on his behalf.

8. Should the Committee, contrary to the normal conventions, decide to order a named official to appear before them, and the responsible Minister instructed his official to comply with the order, the official would remain subject to the instructions of his Minister, as to whether he would be empowered to add to the statements already made by Ministers. As the Clerk of the House stated in his evidence to the Select Committee on Procedure (First Report from the Select Committee on Procedure Appendix A, paragraph 25) 'there is no case on record so far as we are aware of a civil servant being ordered to answer a question, still less for a formal report being made to the House of his refusal to do so.'



10 DOWNING STREET

THE PRIME MINISTER

I understand that the Defence Select Committee has sent invitations to two members of my office to give evidence on certain matters in connection with the Westland affair.

As you know, the Private Secretaries and personal staffs of Ministers (including the Prime Minister) ~~have no standing and no responsibility other than as assistants to and channels of communication for their Ministers.~~ They cannot be called to account for the decisions and actions of their Ministers nor can they be called upon to speak for their Departments. The nature of their duties and relationships with the Minister on one hand and the Department on the other make it inappropriate that they should be called upon to give evidence to Select Committees.

Your Committee no doubt have it in mind to seek evidence from the two people in question on their roles in the affair of the disclosure of the Solicitor General's letter of 6 January to the then Secretary of State for Defence. They have already been required to submit to detailed questioning on this matter in the course of the inquiry conducted by the Head of the Civil Service; it would, I suggest, be unreasonable and unfair - indeed it would put them in "double

"double jeopardy" to require them to submit to another round of questioning by your Committee.

I have myself given the House of Commons a comprehensive description of these matters, taking full account of the findings of the inquiry by the Head of the Civil Service, and have made it clear that I am not prepared to add to that account. If the two members of my staff were to give evidence to your Committee, they would be under instructions to say that they had nothing to add to my account of the matter to the House of Commons.

In the circumstances, I hope you will agree that the two people concerned should not be invited to give evidence to your Committee.

OR

[In the circumstances I cannot agree that the two members of my staff should give evidence to your Committee].

The Rt. Hon. Sir Humphrey Atkins, M.P.



10 DOWNING STREET

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In the circumstances, I hope you will agree that the two people concerned should not be invited to give evidence to your Committee.

OR

[In the circumstances I cannot agree that the two members of my staff should give evidence to your Committee].

The Rt. Hon. Sir Humphrey Atkins, M.P.



10 DOWNING STREET

THE PRIME MINISTER

The Prime Minister has asked me to write to you about the information

I understand that the Defence Select Committee has ~~sent~~ ^{to} ~~summoned~~ ^{two} ~~the~~ ^{members of my} ~~office~~ ^{office} to give evidence on certain matters in connection with the Westland affair.

As you know, the Private Secretaries and personal staffs of Ministers (including the Prime Minister) have no standing and no responsibility other than as assistants to and channels of communication for their Ministers. They cannot be called to account for the decisions and actions of their Ministers nor can they be called upon to speak for their Departments. The nature of their duties and relationships with the Minister on one hand and the Department on the other make it inappropriate that they should be called upon to give evidence to Select Committees.

no doubt I ~~suppose~~ ^{have in mind to place} that Your Committee ~~would like to hear~~ evidence from the two people in question on their roles in the affair of the disclosure of the Solicitor General's letter of 6 January to the then Secretary of State for Defence. They have already been required to submit to detailed questioning on this matter in the course of ~~the my~~ inquiry; ~~conducted by the Head of the Civil Service~~; it would, *I suggest,* be unreasonable and unfair - indeed it would put them in

"double

"double jeopardy" to require them to submit to another round of questioning by your Committee.

The Prime Minister has
~~I have myself~~ given the House of Commons a comprehensive description of these matters, taking full account of the findings of the inquiry by the Head of the Civil Service, and has made it clear that ~~she is~~ ^{he} is not prepared to add to that account. If the two members of ~~his~~ staff were to give evidence to your Committee, they would be under instructions to say that they had nothing to add to ~~my~~ ^{his} account of the matter to the House of Commons.

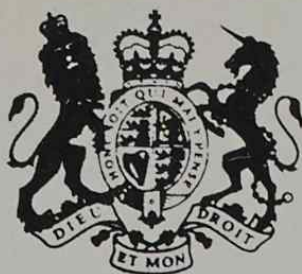
In the circumstances, I cannot agree that the two members of my staff should give evidence to your Committee, and I have instructed them to decline the invitation to do so.

The Prime Minister feels the same, and
in the circumstances I hope you will agree,
that the two people concerned should not be
invited to give evidence to your Committee.

The Rt. Hon. Sir Humphrey Atkins, M.P.

SELECT COMMITTEE

Of course the Government want to cooperate with Select Committees. But I think it is also important to be fair in these matters, and I do not think it would be right for officials who have given their evidence to a formal enquiry conducted by the Head of the Civil Service to be required to give evidence all over again to a separate body. My statements to the House on 23 January and my speech on 27 January were based on the conclusions of that enquiry and I do not believe there is anything more which can be added. But were the Committee to wish to see the Head of the Civil Service, I would be very ready to consider this.



10 DOWNING STREET

~~Charters~~

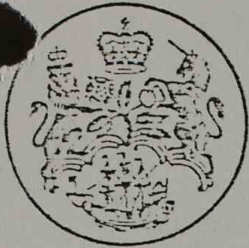
R. T. A. referred

CO2.

John Rigg et al
have been summoned
to appear before the
Defence Committee on
Tuesday, consultation
is under way on whether
he should agree to go.

David.

CONFIDENTIAL



Sir Brian Hayes KCB
Permanent Secretary

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215
GTN 215) 3972
(Switchboard) 01-215 7877

31 January 1986

Robert Rogers Esq
Clerk to the Committee
Defence Committee of the House of Commons
Committee Office
House of Commons
LONDON SW1A 0AA

John
This is part of
the negotiating play.
It's all full summer
which we are producing,
but which is to be modelled

C.P.
What demands?
ever there?
N.C.W
31.1

Dear Mr. Rogers

You wrote to me on 28 January asking me to supply you with certain documents by 1500 today.

I am sorry that consideration of this matter is not yet complete, but I understand that the Committee will not be unduly inconvenienced if the information is not supplied in the timescale originally proposed. I will be in touch with you again about it early next week.

Yours sincerely,
Brian Hayes

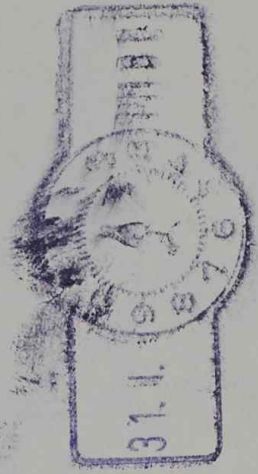
BRIAN HAYES

For information:

- Sir Robert Armstrong*
- Nigel Wicks*
- Murdo Maclean*
- David Morris*
- Re/SOS*

FOXABO

1786
1986
BOARD OF TRADE
BICENTENARY



SELECT COMMITTEE

1. Of course the Government want to co-operate with Select Committees, and those officials who are in a position to help the Defence Select Committee's work on the defence implications of the Westland affair have co-operated fully and will continue to do so.

2. I think it is also important to be fair in these matters. I think - and I am sure that this view would be shared by all my rt hon and hon Friends on this side of the House - that it would be wrong for officials/members of Ministers' Private Offices who have been subject to questioning in a formal inquiry conducted by the Head of the Civil Service, to be required to give evidence all over again on exactly the same issue to a separate body.

3. As regards the events connected with the disclosure of the Solicitor General's letter of 6 January, my statement to the House on 23 January and my speech on 27 January gave a very full account indeed of these events, an account whose accuracy was checked meticulously by all concerned including the Head of the Civil Service and I do not believe there is anything that can usefully be added.

4. Were the Committee to wish to see the Head of the Civil Service on this matter I would be very ready to consider this, even though I do not think he would be in a position to add substantially to the account which I have already given to the House.

*Civil Service members responsible to the Minister
as to the work of the Civil Service*

SELECT COMMITTEE

*Private Offices - who have
no policy responsibilities - sole credit given*

Of course the Government want to co-operate with Select Committees,
and those officials who are in a position to help the Defence
Select Committee's work on the Defence implications of the Westland
affair have co-operated fully and will continue to do so. It
does not seem to me to be appropriate to ^{expect} invite members of Ministers
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no standing and no responsibility other than their role in assisting
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to give evidence all over again on exactly the same issue to
a separate body. ~~It seems to me that this would amount virtually
to double jeopardy.~~

*Account
whose
accuracy
was checked
with all
concerned.*

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the Civil Service on this matter I would be very ready to consider
this, even though I do not think he would be in a position to
add substantially to the account which I have already given
to the House.

30 January 1986

KK

to ~~to~~ *Anything which was covered*

SELECT COMMITTEE

Proposition that Ministers, private offices should give evidence independently of their Ministers is a

1. Of course the Government want to co-operate with Select Committees; and those officials who are in a position to help the Defence Select Committee's work on the defence implications of the Westland affair have co-operated fully and will continue to do so.

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SELECT COMMITTEE

Of course the Government want to co-operate with Select Committees, and those officials who are in a position to help the Defence Select Committee's work on the Defence implications of the Westland affair have co-operated fully and will continue to do so. It does not seem to me to be appropriate to invite members of Ministers Private Offices to appear before Committees, because they have no standing and no responsibility other than their role in assisting Ministers. As regards the events connected with the disclosure of the Solicitor General's letter of 6 January, my statement to the House on 23 January and my speech on 27 January gave a very full account indeed of these events, and I do not believe there is anything which can usefully be added. I think it is also important to be fair in these matters. I think - and I am sure that this view would be shared by all my rt hon and hon Friends on this side of the House - that it would be wrong for officials who have been subject to questioning in a formal inquiry conducted by the Head of the Civil Service to be required to give evidence all over again on exactly the same issue to a separate body. It seems to me that this would amount virtually to double jeopardy.

an account via account was checked meticulously with all concerned including the Head of Civil Service.

The House seemed well satisfied & there was a very strong majority.

[If necessary] Were the Committee to wish to see the Head of the Civil Service on this matter I would be very ready to consider this, even though I do not think he would be in a position to add substantially to the account which I have already given to the House.

30 January 1986

KK

There is a small office next to the committee

- The statement - 11.1.86

1. Of course the Government want to co-operate with Select Committees, and those officials ^{who advise on policy and} who are in a position to help the Defence Select Committee's work on the defence implications of the Westland affair have co-operated fully and will continue to do so.

2. I am bound to say that the Committee's request for ^{to be a distinct from those with policy responsibilities} Private Secretaries and personal staff ^{to} give evidence ^{individually} of their Ministers ^{and his duties have major} has enormous implications for the conduct of the Government and for relations between Ministers and their Private Offices which will need to be thought about very carefully. We shall be in touch with the Committee and shall of course give any ~~considered~~ requests proper consideration.

is unprecedented

In Russell



COMMITTEE OFFICE
HOUSE OF COMMONS
LONDON SW1A 0AA
01-219 3280/81 (Direct Line)
01-219 3000 (Switchboard)

DEFENCE COMMITTEE

Press Notice No 11
of Session 1985-86

The following statement was agreed by the Members of the Defence Committee at their meeting this afternoon.

With regard to the question of the attendance of witnesses before the Committee, we note that at Question Time in the House this afternoon the Prime Minister, in response to a question from Mr St John-Stevás, said "I shall of course be in touch with the Committee". We are therefore awaiting further developments.

We are also awaiting the production and correction by witnesses of the full transcript of this morning's evidence from officials from the Department of Trade and Industry.

In view of misapprehensions that appear to have arisen concerning the scope and nature of the Defence Committee's current inquiry, we wish to clarify the position by drawing attention to the opening statement by the Chairman of the Committee, Sir Humphrey Atkins, at the first public evidence session of the inquiry on 21 January.

X | The Chairman said: " We need to know what implications for the defence of the United Kingdom, and its cost, there may be in the options for the future of Westland plc. Two great Departments of State are primarily involved. If the Committee considers the defence interests of this country have not been fully taken into account we shall wish to explore how such decisions affecting defence are taken, and how decisions were taken in this particular case."

X | We wish also to draw attention to the statement on page 687 of the current edition of Erskine May's Parliamentary Practice that "The interpretation of the order of reference of a select committee is a matter for the committee".

30 January 1986.

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

Sir Antony Acland KCMG KCVO
Permanent Under-Secretary of State

30 January 1986

Sir Brian Hayes KCB
DEPARTMENT OF TRADE AND INDUSTRY

CDP
30/1

Dear Brian,

WESTLAND: DOCUMENTS OF 4 AND 18 OCTOBER 1985

1. I have checked the ^{attach}resumés enclosed with your letter of 29 January to Robert Armstrong. We have no objection to their release to the Defence Committee of the House of Commons. A point of particular sensitivity for us, namely references to negotiations with the Government of India and Mr Gandhi personally on the order for twenty-one W30 helicopters, is adequately covered.

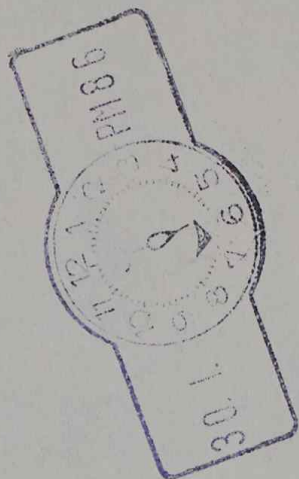
2. I am copying this letter to Robert Armstrong, Clive Whitmore, Nigel Wicks, David Morris and Murdo Maclean.

Yours ever

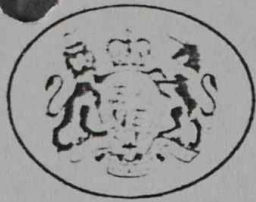
Antony

Antony Acland

CONFIDENTIAL



301



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-218 2193 (Direct Dialling)
01-218 9000 (Switchboard)

PERMANENT UNDER-SECRETARY OF STATE
SIR CLIVE WHITMORE KCB CVO

PUS/L86/93
1/4

EDD
3/11

30 January 1986

Dear Brian,

WESTLAND: DOCUMENTS OF 4 AND 18 OCTOBER 1985

Thank you for sending me a copy of your letter of 29 January to Robert Armstrong.

2. Such few changes as I have to suggest to your resume of Mr Brittan's minute of 4 October are shown in manuscript on the ... attached copy of the summary, with references in the margin to the minute itself. They are all intended to reflect more accurately the content of the minute.
3. I have no comments on the resume of the note of the meeting between Mr Brittan and John Cuckney on 17 October.
4. I am sending copies of this letter and of the attachment to Robert Armstrong, Antony Acland, Nigel Wicks, David Morris and Murdo Maclean.

Yours truly,

Clive

Sir Brian Hayes KCB
Department of Trade and Industry
Room 819
1 Victoria Street
London SW1



MR BRITTAN'S MINUTE OF 4 OCTOBER 1985

Mr Brittan's minute began by setting out the background. Westland had put to the DTI and MOD the company's proposals for a financial reconstruction necessary to put Westland on course to future viability. The main features were:

- (para 2 (i)) i) the raising of new capital from existing shareholders and from a new outside ^{minority} shareholder, whether Sikorsky or a European source;
- ii) the conversion of bank debt into equity;
- (para 2 (iii)) iii) Government underwriting of 45 W.30 ^{- 160} sales.

2. Mr Brittan reported that DTI and MOD officials considered that such a package would provide a reasonable prospect of viability; that if nothing were done, Westland would probably go into receivership; and that underwriting of only 21 helicopters, subject to discussion with the banks, might provide an adequate reconstruction package.

3. Mr Brittan said he considered underwriting 45 sales would be unjustified. He considered, however, that the company might be told that if by the end of November contract discussions with the Indian Oil and Natural Gas Corporation for the sale of 21 W.30s were still active, although not finalised, the Government would at that stage be prepared to consider underwriting that number of aircraft. However he thought a decision should be taken at the time in the light of progress in India. In any event, the Government should only involve itself in a reconstruction package if satisfactory assurances were received from Westland on the continuation of collaborative and launch-aided projects



and of support for Westland aircraft in service with British forces.

4. Mr Brittan went on to suggest that there were no industrial policy grounds for giving a high priority to support of Westland in considering the disposition of Government financial resources. He noted that the proposed reconstruction package would not in itself ensure continuation of the launch-aided W.30/300 programme: the critical factor here ^{he believed (para 7)} would be a MOD launch order. On the other hand, the package should ensure the continuation of the EH101.

5. Mr Brittan then briefly noted that there were military, international and political considerations also to be taken into account.

6. Turning to the question of an overseas shareholder, Mr Brittan ^(para 9) noted that at that stage ^[only] Sikorsky ^{most likely} appeared to be prepared to come in. There were no proposals from British companies. Westland were in contact with MBB, Aerospatiale and Agusta. Mr Brittan considered Westland should be encouraged to pursue the possibility of a European solution. Although the prospects of such a solution in the time available seemed not to be good, he wanted to have a better assessment of the possibilities before responding to the proposals from the company. If, however, it became clear that Sikorsky was the only practical possibility he did not consider the company's proposals should be rejected on the sole ground that they involved an association with Sikorsky, provided the required assurances were given by the company.

7. Mr Brittan then argued that if it were eventually agreed to offer underwriting, any contingency ^t liability to Government funds should not be met from the DTI's financial resources which were very scarce and indeed decreasing.



8. Mr Brittan then considered the possible outcome of Westland going into receivership. He noted that the position would be uncontrolled and the outcome uncertain. A buyer might be found for certain parts of the business (for example British Aerospace had said they might consider an acquisition of some elements of Westland after receivership). But there could be costs to the Government via ECGD and redundancy payments; and there would be risks to existing projects, including collaborative projects. Mr Brittan concluded that on a balanced judgment, it would be preferable for the Government to take part in a reconstruction package, provided the required conditions were fulfilled, rather than allow Westland to go into receivership.

9. Mr Brittan then turned to the question of Mr Gandhi's forthcoming visit to the UK. He noted that the Government must continue to do all it could to help Westland obtain the Indian contract. If a reconstruction package were in place before Mr Gandhi's visit, he could be given firm assurances. However, recalling his own belief that it would be preferable to delay a response to the company until they had made more progress in discussions with possible European partners, Mr Brittan said in that event the Prime Minister would need to be briefed to answer a number of possible questions from Mr Gandhi. He suggested officials should put such briefing in hand.

(para 19). 10. In a concluding section, Mr Brittan summarised his recommendations. He ^{recommended that} ~~suggested~~ the Government's initial response to Westland should be to urge the company to pursue discussions with possible European partners urgently. In the light of the outcome, the Government should then decide whether it was willing to participate in a reconstruction package. He noted that it was desirable to come to a decision reasonably quickly, and in any event well before the end of November.



11. Mr Brittan finally said the Prime Minister might wish to call a meeting, particularly to consider the forthcoming talks with Mr Gandhi.



MEETING BETWEEN THE SECRETARY OF STATE FOR TRADE AND
INDUSTRY (MR BRITTAN) AND SIR JOHN CUCKNEY, 17 OCTOBER 1985

It was agreed at a meeting of Ministers on 16 October that the Secretary of State for Trade and Industry should see Sir John Cuckney as soon as possible to explain the Government's position. The meeting took place on 17 October. Attached is a summary of a letter dated 18 October from Mr Brittan's Private Secretary to Mr Heseltine's Private Secretary, recording what was said at the meeting. The summary does not cover certain material in the letter which is commercially confidential.

CMLACE

999-80



Mr Brittan first told Sir John the Government's assessment of the prospects for securing an order from India for 21 W30-160 helicopters, in the light of the recent visit by the Indian Prime Minister.

Sir John asked whether the Government would consider underwriting the order. Mr Brittan said he was not now authorized to make any underwriting offer. Sir John also asked about the £6m which he said the Ministry of Defence owed the company. Mr Brittan said that was a matter for MoD, but undertook to pass on to the Secretary of State for Defence Sir John's concern.

Sir John said he was well aware of the Government's preference for a European minority shareholder in Westland, and attached weight to that preference. He had held talks with MBB, Aerospatiale and Agusta, invited them all to participate, and made it clear that Westland would consider any reasonable proposition. However he considered that the interest of all three companies was negative and that they were only interested in blocking Sikorsky. They were also Government-owned, loss-making and suffering from excess capacity. Agusta appeared to be the most positive and had expressed interest in taking a shareholding with United Technologies, but they had not come forward with any definite proposals. To secure a reconstruction it would be necessary to produce a positive and forward-looking prospectus, and to secure a reconstruction in time Westland needed a relatively quick decision. On both counts a deal with Sikorsky looked the best option if not the only one.

Mr Brittan noted what Sir John said. He said that a European minority shareholder was in both the commercial and political interests of the Government. The Government, therefore wished to be certain that a deal with Sikorsky was the best, or only, option. The idea of Agusta coming in with Sikorsky was attractive and he would be grateful if this could be pursued further. Sir John said he believed he had fully discharged his responsibility to pursue the possibility of a European minority shareholder, but in view of what Mr Brittan had said he would contact Agusta again as a matter of urgency. However he believed the only practicable solution in the end would be a deal with Sikorsky.

Omits subsequent discussion with
Lord Boardman

CMLACF



PRIME MINISTERWESTLAND: DEFENCE SELECT COMMITTEE

As you know Bernard and I have been summoned to appear before the Defence Select Committee. So too have Mr Mogg, Mr Michell and Miss Bow of the DTI.

As you agreed last night, the Permanent Secretary of the DTI has written to the Committee to say that it would not be appropriate for the DTI officials in question to appear and offering to go himself (letter attached).

Meanwhile, the Chief Whip is hoping to reach a solution with the Chairman of the Committee and its Conservative members which would prevent the request for Bernard and me to appear from being further pursued. We shall probably not know the outcome of these efforts until late this evening.

Sir Robert Armstrong has suggested that you yourself should write to the Chairman of the Committee saying that you cannot agree that Bernard and I should appear and has put forward a draft. I have told him that I think that you should write only as a last resort if all else fails: that our first aim must be to dissuade the Committee from insisting on our appearance: and that if this fails, the next step should be for Sir Robert rather than you to write, saying that he has consulted you and that you are opposed to our appearing.

I attach the relevant papers in case this comes to a head tomorrow and action is needed.

CDR

Charles Powell

29 January 1986



Handwritten initials

10 DOWNING STREET

From the Private Secretary

29 January 1986

I write to acknowledge receipt
of your letter of 29 January.

CHARLES POWELL

Robert Rogers, Esq.,
Clerk to the Defence Committee.

Handwritten initials



COMMITTEE OFFICE
HOUSE OF COMMONS
LONDON SW1A 0AA
01-219 3280/81 (Direct Line)
01-219 3000 (Switchboard)

DEFENCE COMMITTEE

29 January 1986

Dear Mr Powell,

I am directed by the Defence Committee of the House of Commons to ask you to give oral evidence to the Committee on Tuesday 4 February at 1645 in Committee Room 15.

You will be aware that the Committee are investigating the defence implications of the future of Westland plc. In the course of this inquiry they also wish to examine how defence interests were taken into account in the formation and presentation of Government policy towards Westland.

Copies of the oral evidence given in public so far are being sent to you separately.

I am writing in similar terms to Mr Bernard Ingham, whom the Committee wish to appear at the same time as yourself.

I would be grateful if you would acknowledge receipt of this letter.

Yours sincerely,
Robert Rogers

Robert Rogers
Clerk to the Committee

Charles Powell Esq
Private Secretary to the Prime Minister
No 10 Downing Street
Whitehall SW1



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LO4AAD
cc: Sir P Cadock

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

DEFENCE SELECT COMMITTEE

Thank you for showing me your draft of a letter from the Prime Minister to Sir Humphrey Atkins. I have some reservations about this. It seems to me that a refusal of the Committee's request in written form from the Prime Minister should be our bottom line when all else has failed. My understanding is that we hope to persuade the Committee to accept that the named Officials whom they wish to appear will not be allowed to do so. If that operation is successful, presumably the Committee will either withdraw its request or at least tacitly acknowledge that they are going to receive a refusal. In that event, I would have thought it might be appropriate for you to write to Sir Humphrey rather in the same way as Sir Brian Hayes is writing about the DTI Officials. You might do this tomorrow morning when we know the outcome of the Defence Select Committee's meeting this evening and their possible encounter with the Chief Whip. Only if the Committee showed themselves absolutely obdurate would we need to arrange for the Prime Minister herself to write (although of course a letter from you would have to say that you were writing following consultation with her).

As regards your excellent draft, I have only two points:-

- (i) I am not sure, on reflection, that the "double jeopardy" concept is a very attractive one. It is redolent of a court of law; and
- (ii) surely the basic point is that the correct place to examine whether civil servants have been guilty of any breach of their disciplinary code is before an inquiry conducted by the Head of the Civil Service and not before a Parliamentary Select Committee.

CHARLES POWELL

29 January 1986

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

Sir Robert Armstrong

WESTLAND: ATTENDANCE AT SELECT COMMITTEES

The Prime Minister has considered your minute of 28 January about attendance by officials at Select Committees looking into aspects of the Westland affair.

The Prime Minister agrees that it would be best for Sir Brian Hayes to represent the Department of Trade and Industry before the Trade and Industry Committee, supported in the way you suggest. She further agrees that, if asked questions about the disclosure of the Solicitor General's letter of 6 January, he should say that the Department can add nothing to her own statement in Parliament.

In the event of a summons to Mr. Ingham or myself to appear before a Select Committee, she agrees that, if it is felt necessary to offer an official in their places, that official should be you. She also agrees that, in the event that you do appear, you should speak on the lines set out in paragraph 8 of your minute.

The Prime Minister agrees that any proposal to suggest to the Select Committee on Defence that it should call off its inquiry should be discussed with the Lord Privy Seal and the Chief Whip before any action is taken.

I am copying this minute to the Private Secretaries to the Lord Privy Seal and the Chief Whip.

CDP

29 January, 1986.



Ref. A086/298

MR POWELL ✓

I have briefed
the Prime Minister
orally on this
CDP
29/11

Westland: Evidence at Select Committees

I sent the Prime Minister a minute on this subject yesterday.

2. On the question whether Mr Michell, Mr Mogg and Miss Bowe should accept a summons to give evidence to the Defence Select Committee tomorrow, Sir Brian Hayes shares my view that they should not go. His view is, I think, based on ^{three}~~two~~ considerations:

a. if they did go and they were questioned about matters related to the disclosure of the Solicitor General's letter of 6 January, (this must surely be why they have been asked) they would have to be under instructions that they had nothing to add to what the Prime Minister herself had said in her statement, her speech and her answers to questions;

b. if Mr Michell, Mr Mogg and Miss Bowe accepted the summons it would be extremely difficult to argue that you and Mr Ingham should not do so.

c. *they have been exposed enough already*

3. I told Sir Brian Hayes that you had told me that the Prime Minister agreed with the advice which I had given to him on this matter. He said that his Secretary of State would be content to proceed accordingly, on the basis that this is what the Prime Minister wished to happen. But he said that his Secretary of State was not entirely convinced that this was the right decision. Left to himself, he would probably have been inclined to the view that Mr Michell, Mr Mogg and Miss Bowe should go to this Defence Select Committee and be free to answer their questions. He feared that, if they were to go but to be constrained by instructions not to answer questions, and still ^{more} if they were



not to go, there would be a danger that the Defence Select Committee would report to the House of Commons that they had not been able to prosecute their inquiry, and might perhaps even try to ask the House of Commons to pass a vote on the floor of the House which would oblige the officials in question to attend.

4. That is of course very much a political matter and I have said to Sir Brian Hayes that, if his Secretary of State wished to press the point, he would have to take it up with the Prime Minister.

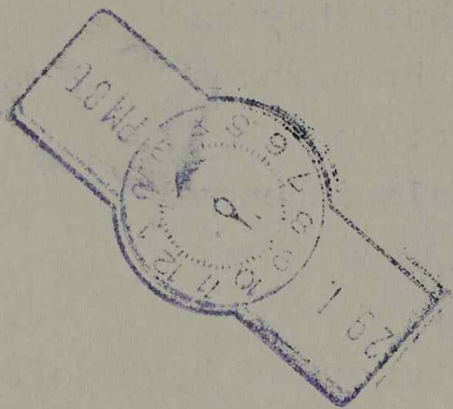
5. I can only add, as a personal view of the political judgment to be made, that I can see great political disadvantage in enabling the Defence Select Committee in effect to re-inquire into the circumstances of the disclosure of the Solicitor General's letter. If the Defence Select Committee were to report to the House or to seek a vote in the House to ~~compel~~ the attendance of the officials concerned, I imagine that the Government would be able to muster a majority to ensure that such a vote was not passed. There would probably be a row in Parliament about that; but that would be less disadvantageous than a re-inquiry into the circumstances of the disclosure of the Solicitor General's letter about which the Prime Minister has already given such full and detailed information to the House of Commons.

6. I am sending copies of this minute to the Private Secretaries to the Lord Privy Seal and the Chief Whip.

REA

ROBERT ARMSTRONG

29 January 1986



01-405 7641 Ext.

Communications on this subject should
be addressed to

THE LEGAL SECRETARY
ATTORNEY GENERAL'S CHAMBERS

ATTORNEY GENERAL'S CHAMBERS,
LAW OFFICERS' DEPARTMENT,
ROYAL COURTS OF JUSTICE,
LONDON, W.C.2.

②

I have checked with Nigel
Prime Minister
CD 29/1 at
Cabinet
office.

A J Wiggins Esq.
Room 324
Cabinet Office
70 Whitehall
London SW1

29 January 1986

Dear John.

WESTLANDS: PRIORITY WRITTEN QUESTIONS FOR ANSWER
BY THE ATTORNEY GENERAL

We discussed this morning on the telephone six Questions down to the Attorney,
five for answer on 30 January, one on 31 January. You indicated that you
were content with the draft answers we are submitting this evening to the
Attorney. As agreed, I am enclosing a copy of the six draft answers and am
copying this letter and its enclosures to Nigel Wicks and Michael Stark.

Yours sincerely,
Michael Saunders.

M L SAUNDERS

PARLIAMENTARY QUESTION

PRIORITY
FOR WRITTEN ANSWER

Thursday 30 of January 19 86

QUESTION

MR. DAVID WINNICK: To ask Mr Attorney General, by what means the Solicitor General first learnt that the Prime Minister wished him to write to the then Secretary of State for Defence, the Right honourable Member for Henley; how this communication determined the content of the letter; and if he will make a statement.

MEMBER'S CONSTITUENCY: WALSALL NORTH (LAB)

ANSWER

The Attorney General: -

As to the first part of the question, I have nothing to add to what my Rt.Hon. Friend the Prime Minister told the House on 27 January (Col.652). The communication in no way determined the content of the letter written by my Hon. and Learned Friend the Solicitor General.

Good
CAG

PARLIAMENTARY QUESTION

PRIORITY
FOR WRITTEN ANSWER

Thursday, 30th of January

19 86

QUESTION

11 MR. ALAN WILLIAMS: To ask Mr. Attorney General, when he first learnt that officials at No.10 Downing Street had been consulted about the leak of the Solicitor General's letter.

MEMBER'S CONSTITUENCY: SWANSEA WEST (LAB)

ANSWER

The Attorney General: -

On 22 January, when I saw the report of the inquiry carried out by the head of the Civil Service.

PARLIAMENTARY QUESTION

PRIORITY
FOR WRITTEN ANSWER

Thursday, 30th of January

1986

QUESTION

10

MR. ALAN WILLIAMS:

To ask Mr Attorney General, when he was first informed of the direct involvement of the then Secretary of State for Trade and Industry, the Right honourable Member for Richmond, Yorks, in the leak of the Solicitor General's letter.

MEMBER'S CONSTITUENCY:

SWANSEA WEST

(LAB)

ANSWER

The Attorney General: -

On 22 January, when I saw the report of the inquiry carried out by the head of the Civil Service.

PARLIAMENTARY QUESTION

PRIORITY
FOR WRITTEN ANSWER

Thursday, 30th of January 1986

QUESTION

12

MR. ALAN WILLIAMS:

To ask Mr. Attorney General, whether he recommended any alternatives to a formal inquiry as a method of resolving the controversy about the Solicitor General's letter.

MEMBER'S CONSTITUENCY:

SWANSEA WEST

(LAB)

ANSWER

The Attorney General: -

No.

PARLIAMEN TARY QUESTION

PRIORITY
FOR WRITTEN ANSWER

Thursday, 30th of January 1986

QUESTION

13

MR. ALAN WILLIAMS:

To ask Mr. Attorney General, on what date and at what time he first directly communicated to the Prime Minister his advice that a formal inquiry should be initiated into the publication of part of the Solicitor General's letter.

MEMBER'S CONSTITUENCY:

SWANSEA WEST

(LAB)

ANSWER

The Attorney General: -

I had no communication on this matter with my Right Honourable Friend, the Prime Minister, until after I had seen the report of the inquiry. My views on the desirability of holding an inquiry were communicated to the head of the Civil Service, as is made clear ~~in the statement~~ which my Right Honourable Friend made to the House on 27 January.

PARLIAMENTARY QUESTION

PRIORITY
FOR WRITTEN ANSWER

Friday, 31st of January 19 86

QUESTION

135

MR. TAM DALYELL:

To ask Mr. Attorney General, when he first approached the Prime Minister or her office with a request that a leak inquiry should be set up into the disclosure of extracts from the Solicitor General's letter of 6th January to the then Secretary of State for Defence, the Right honourable Member for Henley; what response he received; what subsequent discussions took place on the matter between him or his office, on the one hand, and the Prime Minister or her office, on the other; and if he will make a statement.

MEMBER'S CONSTITUENCY:

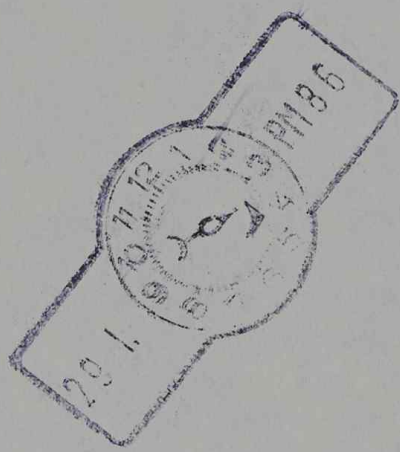
LINLITHGOW

(LAB)

ANSWER

The Attorney General: -

I refer the honourable Member to the reply which I gave on 30 January to a similar question from the Rt. Hon. Gentleman the Member for Swansea West. When I initially sought the views of the head of the Civil Service on 7th January, as ~~is described in the statement~~ which my Right Honourable Friend the Prime Minister ~~made~~ ^{made} to the House on 27 January, the Prime Minister's ~~Principal Private Secretary~~ ^{Office} was informed.





70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A086/317

CHIEF WHIP

Westland: Select Committees

Attendance of Officials

The Defence Select Committee have summoned Department of Trade and Industry (DTI) officials (unnamed) to give evidence on the DTI's sponsorship responsibilities for Westland.

2. They have also summoned (by name) Mr Michell, Mr Mogg and Miss Bowe of the DTI to give evidence on "certain other matters"; and Mr Charles Powell and Mr Bernard Ingham of the Prime Minister's Office.
3. Sir Brian Hayes is replying to the Clerk of the Committee to say that he, Mr Alastair Macdonald and Mr Michael O'Shea will represent the DTI; that the other three will not be accepting the summons; but that he and his colleagues will be able to deal with the Committee's inquiries to the extent that they are able to assist them.
4. Apart from the general political arguments against allowing the Committee in effect to redo the inquiry (in public), you may like to suggest:

i. The Prime Minister has made clear in the House that there is nothing to add to her statement and speech (plus any answers she may give to PQs or letters from MPs) on the affair of the disclosure of the Solicitor General's letter. The three named officials would therefore be under instructions to say that they had nothing to add to what the Prime Minister had said.

ii. The three officials have already submitted to detailed questioning on their parts in the affair in the internal inquiry. It would be unfair ("double jeopardy") to require them to submit to a second round of questioning.

iii. They have already had to endure a good deal of public exposure (particularly Miss Bowe). It would be unfair and unreasonable to submit them to the further exposure of a public appearance before the Select Committee, particularly if they were under instructions in effect to give "stonewalling" answers.

5. The same arguments apply to Mr Charles Powell and Mr Bernard Ingham. There are other arguments:

i. The private offices and personal staffs of Ministers (including the Prime Minister) have no position other than as assistants to and channels of communication for their Ministers: they have no standing or responsibility in their own right, and cannot be called upon to answer either for their Ministers or their Departments.

(But NB. Mr Ingham did give evidence to the Defence Select Committee on the handling of the media in the Falklands War).

ii. Select Committees by convention have never summoned the Prime Minister. The immunity (if that is the right word) extended to her must extend to her private office and personal staff.

Production of Documents

6. The letters of 4 and 18 October 1985 which the DTI have been asked to produce to the Defence Select Committee are clearly included in the classes of information which officials should not disclose, give evidence about or discuss, set out in the Memorandum of Guidance for Officials appearing before Select Committee (ref GEN 80/38, paragraphs 25 i and 26). The fact that a document has been improperly released or disclosed does not constitute grounds for agreeing to provide to a Select Committee a copy of a document that would not otherwise be provided.

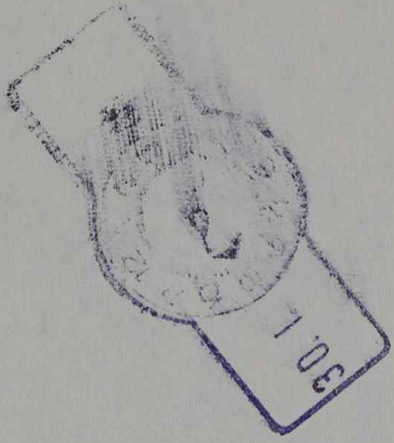
7. The documents in question contain commercially sensitive information.

8. The Government sees no reason to depart from the normal rules in this instance. The DTI will, however, be prepared to submit a memorandum giving the Committee such information as can reasonably be given in relation to these documents.

9. I am sending copies of this minute to the Prime Minister, the Lord Privy Seal, the Secretary of State for Trade and Industry and Sir Brian Hayes.

Robert Armstrong

29 January 1986



PRINCIPAL PRIVATE SECT.
TO THE PRIME MINISTER



How

With Compliments

NIGEL SPEARING

Member of Parliament for Newham South

My own "difference
of understanding" with
Kassam.

It only goes to show us
how easily they can arise CD

HOUSE OF COMMONS
LONDON, SW1A 0AA

29/11

Sir John Biggs-Davison (Epping Forest): I am not sure that my hon. Friend is quite right. He said that the right hon. Member for Cardiff, South and Penarth (Mr. Callaghan) held up the recommendations. The right hon. Gentleman was selective; he did not hold them all up.

Sir Peter Hordern: I am sure that that is right.

Mr. James Wallace (Orkney and Shetland): On a point of Order, Mr. Speaker. Is it in order to debate the Boundary Commission's recommendations for 1969 during a debate on Westland plc?

Mr. Speaker: The hon. Gentleman knows that this is a debate on the Adjournment. There is however a specific definite subject and I think that the hon. Member for Horsham (Sir P. Hordern) is making a comparison.

Sir Peter Hordern: The Opposition do not have a leg to stand on. It beats me how they can have the nerve to come here and preach to us about morality. There are great issues to be dealt with. The price of oil is falling, there is strain on sterling, the level of unemployment is serious and the teachers' dispute continues. The Opposition have a heaven-sent opportunity to conceal the divisions in their ranks. I do not believe that people are such fools as to think other than that this petty, ridiculous issue has had a long enough run. It is time to get back to the serious business of running the country.

5.19 pm

Mr. Nigel Spearing (Newham, South): This debate might be called, "No, Prime Minister", because it is about the relationship between those who hold high office and those who act on their behalf. On occasions, we are very amused by the scene of servants becoming the master.

I have had some previous experience of the mind of the Prime Minister, and I pray in aid two examples. The first concerns a statement made by her Government on 23 April 1982. It was for international consumption and was not given to this House or put in the Library until three weeks later. Reference is made to that in paragraph 3.28 of House of Commons paper 11/84.

The second example relates to a question that I put to the Prime Minister on 17 July 1984—column 168 of *Hansard*—about the implementation of the Education Act 1944. Subsequent correspondence is in the Library, to which hon. Members can refer.

The question today is who gave authority for the release of the selected parts of the text of this important letter. Last Thursday, the House heard with enormous surprise—perhaps oiled by previous revelations in the press—that it was the former Secretary of State for Trade and Industry himself who gave that permission. He is a lawyer, as we were reminded earlier today, and he gave permission to reveal in public the confidential advice of a Law Officer of the Crown. We now want to know whether the Prime Minister absolutely, tacitly or in effect shared in that decision, and we must not forget that she is also a lawyer.

The phrase "cover from No. 10" has been used, and in last Thursday's debate I asked the right hon. Lady specifically in column 459 of *Hansard* to whom Mr. Ingham was accountable and who decided his standing orders. Instead of saying what almost everyone would have expected her to say—indeed, the nation might have expected her to say—the Prime Minister did not

say, "To me." She talked about something that gave a clue to what was in her mind, which I shall not repeat now, but she did not admit that accountability.

I found that extremely strange, and perhaps this can be dealt with in the wind-up. On that very day, the Prime Minister had used the phrase "cover from No. 10". We all have people who help us—people to whom we give standing instructions, such as, "If they ring, tell them this," or, "If they ask that, refer them to me." Such instructions are very clear, but in this instance, when the Prime Minister's office was approached by the DTI, her officials were either so sure of what was in her mind that they could give clearance, or they vastly exceeded the authority that she had given them. It cannot be anything else—it must be either one or the other.

The Prime Minister has not claimed today that they exceeded their authority, but she said that they did not consult her on that day. That suggests the other possibility, that they knew what her mind was on some previous day, and the Prime Minister has also told us today that, on the Saturday, there had been a lot of discussion in No. 10 about these letters. That opens up the possibility that the officials acted on her authority, having known from a previous occasion precisely what the Prime Minister had in mind.

The Prime Minister also told us today that there had been a misunderstanding. I am confused, because last Thursday she made it absolutely clear—crystal clear, as Mr. Brian Walden might say—when she said:

"My office were accordingly approached. They did not seek my agreement: they considered—and they were right—that I should agree with my right hon. Friend the Secretary of State for Trade and Industry that the fact that the then Defence Secretary's letter of 3 January was thought by the Solicitor-General to contain material inaccuracies which needed to be corrected should become public knowledge". — [Official Report, 23 January 1986; Vol. 90, c. 450.]

Therefore, on Thursday, the Prime Minister told us that she would have agreed, and she concurred with the cover that was given by her office, whereas today as I understand it—it was not easy to follow—she said that there had been some misunderstanding and that cover was not given.

Sir John Page (Hull, West): Will the hon. Gentleman give way?

Mr. Spearing: I am sorry, but I cannot give way.

Sir John Page: Why not?

Mr. Spearing: The answer can come from the ~~civil~~ *servants'* Box. The hon. Gentleman is not entitled to intervene.

These anomalies must be cleared up, because the authority clearly given by the former Secretary of State for Trade and Industry was, according to the Prime Minister on Thursday, accepted, and the right hon. and learned Gentleman lost the confidence of his colleagues as that was known to be true. The House wants to know—we have heard nothing at all to the contrary—whether the Prime Minister, by implication of her office, was also involved clearly and explicitly with that decision. In nothing she has said today has she in any way dissociated herself from it. In fact, the additional evidence relating to the implication of her office on the Saturday brings her closer to it rather than separating her from it.

When they vote tonight and think of the call for loyalty, Conservative Members should ask themselves, "Loyalty to what?" Is it loyalty to a person, to the party or to the

D ESPATCU

CONFIDENTIAL



Sir Brian Hayes KCB
Permanent Secretary

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
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GTN 215

(Switchboard) 01-215 7877

29 January 1986

Sir Robert Armstrong GCB CVO
Cabinet Office
70 Whitehall
LONDON SW1

CDP
No.

N.

Mr. Parker
I have checked
this against the
originals & find it
comprehensive &
accurate.
Any particular
points?
CDP 29/1

Dear Robert,

WESTLAND: DOCUMENTS OF 4 AND 18 OCTOBER 1985

As you know, the Clerk to the Defence Committee of the House of Commons has asked me to supply, by 3.00pm on Friday, 31 January, copies of Mr Brittan's minute of 4 October 1985 to the Prime Minister about Westland and of the note dated 18 October 1985 of the meeting between Mr Brittan and Sir John Cuckney on 17 October 1985.

Ministers have decided that, in order to avoid setting a precedent for the disclosure of documents of this kind, we should decline to do so, but that in order to assist the Committee we should supply a full resumé of their contents. I enclose such a resumé and should be grateful to know whether you or copy recipients have any comments. It would be helpful to have comments by close of play tomorrow (Thursday).

I am sending copies to Clive Whitmore, Antony Acland, Nigel Wicks, David Morris and Murdo Maclean.

Yours ever
Brian

BRIAN HAYES

FOXABE

17
19
86
BOARD OF TRADE
BICENTENARY



MINUTE BY MR BRITTAN OF 4 OCTOBER

The attached is a résumé of the contents of Mr Brittan's minute to the Prime Minister of 4 October.



MR BRITTAN'S MINUTE OF 4 OCTOBER 1985

Mr Brittan's minute began by setting out the background. Westland had put to the DTI and MOD the company's proposals for a financial reconstruction necessary to put Westland on course to future viability. The main features were:

- i) the raising of new capital from existing shareholders and from a new outside shareholder, whether Sikorsky or a European source;
- ii) the conversion of bank debt into equity;
- iii) Government underwriting of 45 W.30 sales.

2. Mr Brittan reported that DTI and MOD officials considered that such a package would provide a reasonable prospect of viability; that if nothing were done, Westland would probably go into receivership; and that underwriting of only 21 helicopters, subject to discussion with the banks, might provide an adequate reconstruction package.

3. Mr Brittan said he considered underwriting 45 sales would be unjustified. He considered, however, that the company might be told that if by the end of November contract discussions with the Indian Oil and Natural Gas Corporation for the sale of 21 W.30s were still active, although not finalised, the Government would at that stage be prepared to consider underwriting that number of aircraft. However he thought a decision should be taken at the time in the light of progress in India. In any event, the Government should only involve itself in a reconstruction package if satisfactory assurances were received from Westland on the continuation of collaborative and launch-aided projects



and of support for Westland aircraft in service with British forces.

4. Mr Brittan went on to suggest that there were no industrial policy grounds for giving a high priority to support of Westland in considering the disposition of Government financial resources. He noted that the proposed reconstruction package would not in itself ensure continuation of the launch-aided W.30/300 programme: the critical factor here would be a MOD launch order. On the other hand, the package should ensure the continuation of the EH101.

5. Mr Brittan then briefly noted that there were military, international and political considerations also to be taken into account.

6. Turning to the question of an overseas shareholder, Mr Brittan noted that at that stage only Sikorsky appeared to be prepared to come in. There were no proposals from British companies. Westland were in contact with MBB, Aerospatiale and Agusta. Mr Brittan considered Westland should be encouraged to pursue the possibility of a European solution. Although the prospects of such a solution in the time available seemed not to be good, he wanted to have a better assessment of the possibilities before responding to the proposals from the company. If, however, it became clear that Sikorsky was the only practical possibility he did not consider the company's proposals should be rejected on the sole ground that they involved an association with Sikorsky, provided the required assurances were given by the company.

7. Mr Brittan then argued that if it were eventually agreed to offer underwriting, any contingency liability to Government funds should not be met from the DTI's financial resources which were very scarce and indeed decreasing.



8. Mr Brittan then considered the possible outcome of Westland going into receivership. He noted that the position would be uncontrolled and the outcome uncertain. A buyer might be found for certain parts of the business (for example British Aerospace had said they might consider an acquisition of some elements of Westland after receivership). But there could be costs to the Government via ECGD and redundancy payments; and there would be risks to existing projects, including collaborative projects. Mr Brittan concluded that on a balanced judgment, it would be preferable for the Government to take part in a reconstruction package, provided the required conditions were fulfilled, rather than allow Westland to go into receivership.
9. Mr Brittan then turned to the question of Mr Gandhi's forthcoming visit to the UK. He noted that the Government must continue to do all it could to help Westland obtain the Indian contract. If a reconstruction package were in place before Mr Gandhi's visit, he could be given firm assurances. However, recalling his own belief that it would be preferable to delay a response to the company until they had made more progress in discussions with possible European partners, Mr Brittan said in that event the Prime Minister would need to be briefed to answer a number of possible questions from Mr Gandhi. He suggested officials should put such briefing in hand.
10. In a concluding section, Mr Brittan summarised his recommendations. He suggested the Government's initial response to Westland should be to urge the company to pursue discussions with possible European partners urgently. In the light of the outcome, the Government should then decide whether it was willing to participate in a reconstruction package. He noted that it was desirable to come to a decision reasonably quickly, and in any event well before the end of November.



11. Mr Brittan finally said the Prime Minister might wish to call a meeting, particularly to consider the forthcoming talks with Mr Gandhi.



MEETING BETWEEN THE SECRETARY OF STATE FOR TRADE AND
INDUSTRY (MR BRITTAN) AND SIR JOHN CUCKNEY, 17 OCTOBER 1985

It was agreed at a meeting of Ministers on 16 October that the Secretary of State for Trade and Industry should see Sir John Cuckney as soon as possible to explain the Government's position. The meeting took place on 17 October. Attached is a summary of a letter dated 18 October from Mr Brittan's Private Secretary to Mr Heseltine's Private Secretary, recording what was said at the meeting. The summary does not cover certain material in the letter which is commercially confidential.

CMIACE

999-80

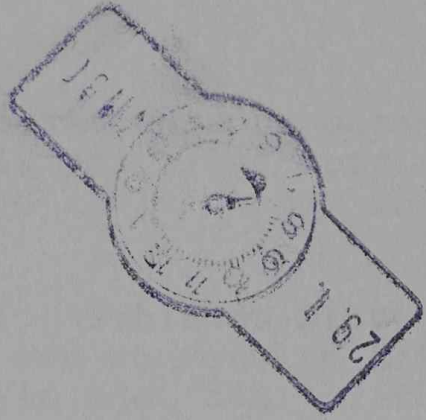


Mr Brittan first told Sir John the Government's assessment of the prospects for securing an order from India for 21 W30-160 helicopters, in the light of the recent visit by the Indian Prime Minister.

Sir John asked whether the Government would consider underwriting the order. Mr Brittan said he was not now authorized to make any underwriting offer. Sir John also asked about the £6m which he said the Ministry of Defence owed the company. Mr Brittan said that was a matter for MoD, but undertook to pass on to the Secretary of State for Defence Sir John's concern.

Sir John said he was well aware of the Government's preference for a European minority shareholder in Westland, and attached weight to that preference. He had held talks with MBB, Aerospatiale and Agusta, invited them all to participate, and made it clear that Westland would consider any reasonable proposition. However he considered that the interest of all three companies was negative and that they were only interested in blocking Sikorsky. They were also Government-owned, loss-making and suffering from excess capacity. Agusta appeared to be the most positive and had expressed interest in taking a shareholding with United Technologies, but they had not come forward with any definite proposals. To secure a reconstruction it would be necessary to produce a positive and forward-looking prospectus, and to secure a reconstruction in time Westland needed a relatively quick decision. On both counts a deal with Sikorsky looked the best option if not the only one.

Mr Brittan noted what Sir John said. He said that a European minority shareholder was in both the commercial and political interests of the Government. The Government therefore wished to be certain that a deal with Sikorsky was the best, or only, option. The idea of Agusta coming in with Sikorsky was attractive and he would be grateful if this could be pursued further. Sir John said he believed he had fully discharged his responsibility to pursue the possibility of a European minority shareholder, but in view of what Mr Brittan had said he would contact Agusta again as a matter of urgency. However he believed the only practicable solution in the end would be a deal with Sikorsky.



CONFIDENTIAL



copy to see

70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A086/299

29 January 1986

Dear Henry,

I understand that the Solicitor General has been invited to give evidence to the Defence Select Committee on 4 February, and you have asked for advice as to whether the Solicitor General should accept the invitation.

It is evident that the Defence Select Committee would like to inquire into the circumstances surrounding the disclosure of the Solicitor General's letter on 6 January to the then Secretary of State for Defence, about which the Prime Minister has, of course, fully informed the House of Commons in her statement on 23 January and her speech on 27 January. The Select Committee have summoned by name the officials in the Department of Trade and Industry and the Prime Minister's Office known to be concerned with this affair.

As to the officials concerned, the Prime Minister has taken the view that they should not accept the summons to give evidence to the Select Committee. Other Department of Trade and Industry officials have been summoned to give evidence on wider aspects of the Westland affair; they will be instructed that, if the Select Committee seek to question them about the circumstances surrounding the disclosure of the Solicitor General's letter, they should say that they can add nothing to the full account of the matter which the Prime Minister has given to the House of Commons.

No doubt the invitation to the Solicitor General has been sent in the same connection.

/It was

Henry Steel Esq CMG OBE

CONFIDENTIAL

CONFIDENTIAL

It was agreed at the time of their establishment that no Select Committee would be empowered to monitor the Law Officers' Department on the grounds that the Law Officers are not regarded as answerable to Parliament for their legal advice to the Government in the way that Departmental Ministers are answerable to Parliament. The memorandum of guidance for officials appearing before Select Committees makes it clear that officials should not disclose, give evidence about or discuss advice given by a Law Officer, and that such advice is disclosed only when Law Officers themselves expressly authorise it or themselves report to or advise Parliament or a Parliamentary Committee.

In the case in question, the Solicitor General was giving advice to the then Secretary of State for Defence. It was advice on a legal matter, and I do not think that he can be regarded as answerable to Parliament in respect of it. The legal advice given to the client is in confidence and it is for the client to take action on that advice, and to be answerable for any action thus taken.

My own view would therefore be that the Solicitor General should decline the invitation to give evidence to the Defence Select Committee on 4 February.

An alternative course might be for the Solicitor General to write to the Chairman of the Defence Select Committee asking him to detail the points on which the Committee wished to seek evidence from him. He could then consider in the light of the reply to that letter whether his appearance would be justified or whether to send in written evidence on the points raised and stand on that. But I suspect that the eventual outcome of that course would have to be the same; that the Solicitor General would decline to attend to give oral evidence to the Select Committee.

I am sending copies of this letter to the Private Secretaries to the Prime Minister, the Lord Privy Seal, the Secretary of State for Defence, the Secretary of State for Trade and Industry and the Chief Whip.

Yours ever
Robert Armstrong

CONFIDENTIAL

30.1
AM86

CONFIDENTIAL

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 3972

GTN 215

(Switchboard) 01-215 7877

29 January 1986

*Sir Brian Hayes KCB
Permanent Secretary*

Sir Robert Armstrong GCB CVO
Cabinet Office
70 Whitehall
LONDON SW1

Dear Robert

.... I enclose a copy of a letter I have received from the Clerk to the Defence Committee of the House of Commons, and the reply I propose, with the agreement of my Secretary of State, to send. I should be very grateful for urgent comments.

I am sending copies to Nigel Wicks, David Morris and Murdo Maclean.

*Yours ever
Brian*

BRIAN HAYES

FOXABD

1786
1986
BOARD OF TRADE
BICENTENARY



DRAFT

Robert Rogers Esq
Clerk to the Defence Committee
of the House of Commons
Committee Office
House of Commons
LONDON SW1A 0AA

Thank you for your letter of 28 January, asking that officials of this Department should attend to give evidence before the Committee at 10.50am this Thursday 30 January.

I shall attend at that time and I shall be accompanied by Mr Alastair Macdonald, the Deputy Secretary responsible, among other matters, for the Department's role in relation to most defence manufacturers, including those involved in aerospace manufacture.

I note the Committee's wish to have the assistance of particular officials, whom you name in your letter. My Secretary of State is anxious that his Department should give all possible help to the Committee in its deliberations, and he has so instructed Mr Macdonald and

FOXABD



myself. He does not however regard it as appropriate that the officials you name should give evidence, and they will not therefore be accompanying me at the hearing. I hope and expect that Mr Macdonald and I will be able to answer the Committee's questions to the extent that this Department is able to assist them.

BRIAN HAYES





Sir Brian Hayes KCB
Permanent Secretary

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215

GTN 2153972

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For Information - 29 January 1986

Robert Rogers Esq
Clerk to the Defence Committee
of the House of Commons
Committee Office
House of Commons
LONDON SW1A 0AA

Sir Robert Armstrong
Sir Clive Whitmore

Ngel Wicks

David Morris

Murdo Maclean

CDP
29/1

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I shall attend at that time and I shall be accompanied by Mr Alastair Macdonald, the Deputy Secretary responsible, among other matters, for the Department's role in relation to most defence manufacturers, including those involved in aerospace manufacture; and by Mr Michael O'Shea, who heads the Branch which is responsible, among other things, for sponsorship of the helicopter industry.

I note the Committee's wish to have the assistance of particular officials, whom you name in your letter. My Secretary of State is anxious that his Department should give all possible help to the Committee in its deliberations, and he has so instructed Mr Macdonald, Mr O'Shea and myself. He does not however regard it as appropriate that the officials you name should give

FOXABD



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Yours sincerely,
Brian Hayes

BRIAN HAYES -





10 DOWNING STREET

From the Private Secretary

29 January, 1986.

Thank you for sending a transcript of the Home Secretary's interview with the Today Programme on 28 January. The Prime Minister was grateful to be shown this. It is clear that the Evening Standard grossly misreported the Home Secretary's remarks.

I am sending a copy of this letter to Joan MacNaughton (Lord President's Office).

(C.D. Powell)

S.W. Boys Smith, Esq.,
Home Office.

PERSONAL

Prime Minister
CDP



Sir Brian Hayes KCB
Permanent Secretary

F.

DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

29/1

LONDON SW1H 0ET

Telephone (Direct dialling) 01-215

GTN 21539.72

(Switchboard) 01-215 7877

MJ

28 January 1986

Nigel Wicks Esq
Principal Private Secretary
to the Prime Minister
10 Downing Street
LONDON SW1

Dear Nigel,

I felt I must write to you, on behalf of this Department, to express our deep appreciation of the way in which the Prime Minister has dealt with DTI's involvement in the Westland affair in her statement of last Thursday and her speech in yesterday's debate. We are only too conscious of the difficult position in which the Prime Minister has been placed. As you can imagine, the officials concerned here have also been under great pressure since this matter became public: it was a profound relief to them that the account of events which the Prime Minister has given to the House should have been so scrupulously fair and accurate.

Yours ever,

Brian

BRIAN HAYES

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17
19 **86**
BOARD OF TRADE
BICENTENARY



Prime Minister

Agree generally,

and especially on A,

B, C, D and E?

N.L.W.

28.1

Ref. A086/286

PRIME MINISTER

Westland: Attendance at Select Committees

The Trade and Industry Select Committee asked the Department of Trade and Industry to give evidence for the purpose of the inquiry which it has initiated into aspects of the Westland affair.

2. I was consulted about who should represent the Department. I said that in my view Mr Michell should not be included in the team. The Department was represented this afternoon by the Minister of State (Mr Geoffrey Pattie), Mr Alastair Macdonald and Mr Michael O'Shea (the Deputy Secretary and Assistant Secretary respectively for the Air Division).

3. The Department of Trade and Industry have also been summoned by the Select Committee on Defence for the morning of Thursday 30 January to give evidence on the Department's sponsorship responsibilities for Westland. The Committee has also summoned Mr Michell, Mr Mogg and Miss Bowe by name to give evidence to the Committee on "certain other matters" in this connection.

4. I have been consulted by Sir Brian Hayes about this. I have said that my view is that Mr Michell, Mr Mogg and Miss Bowe should not accept the summons to give evidence. The Department will be represented by Sir Brian Hayes, Mr Alastair Macdonald and Mr Michael O'Shea; and I have suggested that Sir Brian Hayes should reply to the Clerk of the Committee to the effect that he, supported by these officials, will be able to deal with the Committee's inquiries to the extent that the Department of Trade and Industry is able to assist them.

A



5. If Sir Brian Hayes is asked questions about the disclosure of the Solicitor General's letter of 6 January or matters related thereto, I have suggested that he should say that the Department can add nothing to your statement of 23 January, your speech of 27 January and the various answers that have been given to Parliamentary Questions.

6. I have asked Sir Brian Hayes to make sure that his Secretary of State agrees with this line. I should be glad to know whether you approve it.

7. The Secretary of State for Trade and Industry has been wondering whether to suggest to the Chairman of the Select Committee on Defence that the Committee should call its inquiry off. I have told Sir Brian Hayes that in my judgment it would be better for the Secretary of State not himself to do that. I have suggested that, if he wants to pursue the idea, he should discuss it with the Lord Privy Seal and the Chief Whip.

8. I suppose that it is possible that Mr Charles Powell and Mr Bernard Ingham may be summoned to give evidence to one or other of the Select Committees that are inquiring into aspects of the Westland affair. It is well understood that Select Committees do not summon the Prime Minister, and I do not think that it would be a good idea to set a precedent for the appearance before Select Committees of members of the Prime Minister's office. If Mr Powell and Mr Ingham are summoned, one possibility would simply be for them to decline the summons. But the convention has been that, if a Select Committee summons a particular official and that official is not authorised to accept the summons, another more senior officer, or even a Minister, is offered in his place, so that the Committee cannot argue that there has been an absolute refusal to give evidence. It would be no less objectionable for Mr Wicks to give evidence than for Mr Powell and Mr Ingham to give evidence. It would not be right for you to give evidence. If, therefore, Mr Powell and

[There is now a Commons motion to this effect]



D
E
Mr Ingham were to be summoned, and it was felt necessary to offer another official in their places, I think that the only official who could be offered would be the Head of the Department to which your office is attached - that is to say, the Cabinet Office. I have absolutely no desire to appear before any of the Select Committees investigating the Westland affair; but, if it were thought to be the only possible way of getting out of a summons to Mr Powell and Mr Ingham, I should be prepared to accept instructions to attend. In relation to any questions about the role of Mr Powell and Mr Ingham in the affair, I should confine myself strictly to your statement and your speech, and any questions you might have answered or letters you might have sent to Members of Parliament on the subject, and I should have to refuse to be drawn into more details about the contents of my inquiry.

9. I am sending copies of this minute to the Lord Privy Seal and the Chief Whip.

RTA

ROBERT ARMSTRONG

28 January 1986

From: THE PRIVATE SECRETARY

*cc
N. Taylor*



Prime Minister

HOME OFFICE

It is clear

QUEEN ANNE'S GATE

LONDON SW1H 9AT

that Mr Hurd

28 January 1986

has been grossly
misreported.

*Thanks
M*

Dear Nigel,

N.L.W.

28.1

attached

Charles Reiss has a story in today's Standard reporting the Home Secretary's remarks on the Today programme this morning. The Home Secretary is anxious that the Prime Minister should have a transcript of his remarks, which were inaccurately presented in the story.

.....

I attach a transcript. The essential point is contained in the Home Secretary's answer at the foot of page 2 running on to page 3.

A copy of this letter and its enclosure goes to Joan MacNaughton in the Lord President's Office

*Tom
Stephens*

S W BOYS SMITH

Nigel Wicks, Esq.

BBC RADIO 4: TODAY PROGRAMME, INTERVIEW WITH THE HOME SECRETARY, 28 JANUARY 1986

Interviewer Will normal service be resumed from No 10 today or will things never be the same again for Mrs Thatcher? Three hours is a long time in politics. Did the three hour debate in the Commons yesterday restore Mrs Thatcher's reputation at least in the eyes of her party. Well now with me is a member of her Cabinet the Home Secretary Douglas Hurd. One Sunday columnist, I notice was speculating on you as Prime Minister and even named your Cabinet, clearly you will have to be patient now.

Home Secretary Yes, the chatterers don't seem to have noticed that there isn't a vacancy or likely to be a vacancy and indeed they don't seem to have noticed that its very difficult history suggests, for a conservative Home Secretary to get any further.

Interviewer But do you think Mrs Thatcher's reputation is dented beyond recovery?

Home Secretary No, in six months time people will still in the darker recesses of Westminster be asking questions about Westland but in the country people will say well what was that about, that was last year, wasn't it, wasn't that something to do with some helicopters.

Interviewer But you know her reputation even among those who didn't like her was one of kind of obduracy anyway, to put it at its lowest, you don't think she's now thought to be devious.

Home Secretary No I don't think so, I think that you could feel the disappointment in the Opposition yesterday as one by one she answered the questions which had been put, and, it of course its, she gave an account of a ragged state of affairs in which mistakes were made, but people know that that is

what real life is like, that there are loose ends and particularly when you work at No. 10 where the pressure of different things coming in all the time is very intense.

Interviewer

Do you think that Mr Kinnock made it unnecessarily easy for her yesterday?

Home Secretary

Yes, I think he made a bad speech but worse than that he showed his real weakness, you see we were talking about the workings of Government, how things actually happened. He doesn't know anything about that at all. So when actually he had to get behind the generalities which he can ^{?toss away} ~~tussle~~ easily, into the actual details, he was well astray.

Interviewer

Now Mr Heseltine contributions ^{were} described in one paper this morning as a wonderful spasm of hypocrisy, but do you think that that spasm has in fact helped unite the Party.

Home Secretary

Yes, of course it is, and Michael Heseltine obviously felt unhappy at the way, the way it was still rising as it were and he didn't want that and had been his intention and so he did his best to, to calm the sea down and that was very welcome to everybody.

Interviewer

But ^{aren} ~~earn~~'t you all now in the same lifeboat that no longer may you rock that boat because ^{with} two Cabinet Ministers gone is beginning to look more than coincidence. The third one will be the death of the Government.

Home Secretary

No, I think today we all drawing a great breath of relief and saying well now we can get back to real life and real work, but real work does involve discussion and it involves discussions in Cabinet and the, I think, the good thing

that that it should appear to be so and that Cabinet Government should appear to be a reality. It is in fact, I mean, I don't think there is any secret but over recent weeks we had a go in full Cabinet on rates, social security, on Northern Ireland and lots of other things and I don't think that there is any harm in that appearing at all. People don't like to feel that they live under some other form of Government.

Interviewer

But it is a long time before you will have a go in full Cabinet at Westland and may be the one virtue about this whole affair is perhaps now the Cabinet will be privy to everything that is going on.

Home Secretary

But we can't be privy to everything and when you have something like Westlands it is absolutely sensible that the people involved in discussing the substance should be the Ministers actually concerned. What happened then was that there follow a breakdown on collective responsibility and we paid the penalty for that. But that lesson has clearly been learned and that won't happen again.

Interviewer

Would you welcome Mr Heseltine back when you have a Cabinet?

Home Secretary

I am not going to have a Cabinet but he is a, he is a remarkable man, with lively ideas out of his own brain and the; I think it would be a pity if those talents weren't used.

Interviewer

Would it be an equal pity if Mr Brittan's talent were lost?

Home Secretary

Yes it would because I think of all the Ministers I've actually served under for quality of decision and weighing up of the pro's and con's of a particular situation, I think he was unmatched so the same holds.

Interviewer

But it went very wrong for him over this business.

Home Secretary

Yes, I think that it's now clear what happened and the opposition won't manage to obscure this reality. There was a mistake, a bad mistake on his part when he decided on the way in which P ^{Mayhew's} ~~Mayle's~~ letter should be brought into the public domain. There was also a muddle in discussions between his officials and discussions at No 10 which led to the Prime Minister having been kept in the dark about something. I think those two things have now emerged very clearly and Leon Britain has resigned which is a sadness and quite a loss. But I think the position is now clear except to those whose business it is to grub about and find extra questions and of course that process can go on forever.

Interviewer

But the rest of you will return to normal work.

Home Secretary

The rest of us will return as I say with a great sigh of relief to getting on with the things that matter.

Interviewer

Mr Hurd. Thank you.

Hurd: Let Cabinet govern...

by Charles Reiss

MRS Thatcher was told by one of her senior ministers today that, after the Westland affair, she must not run the Government as a one-woman band.

The warning came from Mr Douglas Hurd, the Home Secretary. He said that it was important that cabinet government should be a reality "and should appear to be so." And he added: "People don't like to feel that they live under some other form of government."

Mr Hurd said that there had been "a great sigh of relief" after Mrs Thatcher's strong speech yesterday over the Westland leak.

It meant, he told the BBC's Today programme, that the Government could get back to real life and real work. But he went on: "Real work does involve discussion, and discussion in Cabinet."

Attack

"It is a good thing that that there should appear to be so and that cabinet government should be a reality."

Mr Hurd, who has played an increasingly important role in rallying the Party through the recent days of the Westland crisis, was speaking for many Conservative MPs.

Most clearly feel that, after Mrs Thatcher's defence yesterday, and her apology for admitted errors, the worst is over. But there is also a belief that the crisis might never have blown up had it not been for Mrs Thatcher's known preference for taking decisions herself, or among small groups of trusted ministers.



DOUGLAS HURD:
"sigh of relief".

Mr Neil Kinnock and Dr David Owen were planning to return to the attack over Westland today.

It was the Labour leader, for a change, who faced the most difficult problem after his dire Commons performance yesterday.

Given an ideal chance to attack a severely weakened Prime Minister, he fluffed and rambled his way through.

Mrs Thatcher, facing her regular Commons questions today, was expected to hold firm by the line she set in the emergency debate.

First evidence from the opinion polls today suggested that the voters have yet to be convinced.

Viewers of BBC Breakfast
Continued Page 2, Col 3

Hurd's warning

Continued from Page 1

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It found 46 per cent saying

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Mrs Thatcher could still face trouble from the two Commons select committees inquiring into the Westland affair.

It was made plain today that, if either the Defence or the Trade and Industry committee want to call the Prime Minister as a witness, she will resist.

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Charles



MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALING 01-218 2111/3

MO 26/16/1V

28th January 1986

DN to see
CDP
307

Dear John,

WESTLAND

Thank you for your letter of ^{at flap} 13th January about the importance of competitive tendering in defence procurement.

I entirely agree with what you say about the need for value for money. As you say, competition is very important in this and has been given much greater priority by the Ministry in recent years. There are, of course, other factors that may have to be taken into account, including defence industrial base questions and the possible operational and financial benefits from international collaboration. But these are issues which can sensibly be addressed and weighed only in the context of a particular case. I note your views on the implications of the European offer in the case of the reconstruction of Westland plc.

The Rt Hon John MacGregor OBE MP



I am copying this letter to the Prime Minister, ✓ the Lord
Privy Seal, the Secretary of State for Trade and Industry, the
Attorney General, the Chief Whip and the Secretary of the
Cabinet.

Yours truly,

George.

George Younger

AEROSPACE PT3FD

Westland



Westland plc

e DP
28/j

YEOVIL ENGLAND TELEPHONE: YEOVIL 75222 TELEX: 46277 WHLYEO G TELEGRAMS: AIRCRAFT TELEX YEOVIL

Fax: Kalle Infotec 6000 - Yeovil 702131
Plessey PDF - Yeovil 702133

our ref
ext no
your ref
date 28th January, 1986

Robert Rogers, Esq.,
Clerk to the Defence Committee,
Committee Office,
House of commons,
London SW1A 0AA.

As requested by the House of Commons Select Committee of Defence, I enclose copies of Sir John Cuckney's letter of 13th December, 1985, to the Prime Minister and the Prime Minister's reply of 17th December, 1985.

These letters have been released to the Committee with the agreement of the Prime Minister's Office.

W.S. GUETERBOCK
CORPORATE STAFF DIRECTOR

Encs.

c.c.: C.D. Powell, Esq.,
10 Downing Street.

Copy: Board

Mr. Stewart



10 DOWNING STREET

THE PRIME MINISTER

17 December 1985

Dear Sir John,

Thank you for your letter of 13 December. I am grateful to you for letting me know of the Board's decision.

As regards the National Armaments Directors' recommendation of 29 November 1985, the position was made clear by the Secretary of State for Trade and Industry in his statement to Parliament yesterday.

It is obviously important that there should be co-operation between key defence contractors and the Ministry of Defence, and I hope that will continue to be the case with Westland. So far as Blackhawk is concerned, as United Technologies are aware there is currently no Ministry of Defence requirement for these and no provision in the defence budget to buy Blackhawk or any comparable helicopter.

Yours sincerely
Raymond Sturt

Sir John Cuckney

WESTLAND plc

From
Sir John Cuckney

4, CARLTON GARDENS,
PALL MALL,
LONDON, SW1Y 5AB.

TEL 01-839 4081

13th December, 1985

The Rt. Hon. Mrs. Margaret Thatcher, MP,
Prime Minister,
10 Downing Street,
London, S.W.1.

Dear Prime Minister,

As you have taken a direct interest in the fortunes of Westland, I am writing to tell you that my Board has this evening decided to try as soon as possible to conclude negotiations with United Technologies and Fiat whereby they will become minority shareholders in Westland plc.

Our understanding is that in this event HMG will now make it clear that the United Kingdom is not bound by the National Armaments Directors' recommendation of 29th November, 1985.

We are pleased to have been able to decide on a totally private sector solution to our problems. The Board trust that they will receive help and assistance from the Ministry of Defence in the future following several attempts by that department to block a solution to Westland's problems. I would also ask that no UK Government statement is made to the effect that HMG will never purchase the Black Hawk. To do so would hardly be consistent with the Government's and, in particular, the Ministry of Defence's stated policies of full and fair competition.

Yours sincerely,
[Signature]

Registered Office: Westland Works, Yeovil, Somerset, England Registered number 302832 England

ALL BUSINESS GOVERNED BY COMPANY'S STANDARD CONDITIONS COPIES AVAILABLE ON REQUEST

NEW MEMBER

The following Member made the Affirmation required by law:

Seamus Mallon Esq., for Newry and Armagh.

Teachers (Dispute)

3.32 pm

Mr. Clement Freud (Cambridgeshire North-East): I beg to ask leave to move the Adjournment of the House, under Standing Order No. 10, for the purpose of discussing a specific and important matter that should have urgent consideration, namely,

"the latest developments in the teachers' dispute."

The matter is urgent because the Secretary of State's weekend statement about not being able to find the money to pay for the ACAS-inspired agreement will cause further disruption and irrevocable damage to the education of children. It is specific because those seeking agreement have gone a long way down a flexible negotiating path, while the Secretary of State has remained obdurate. He has compounded his obduracy by undermining the ACAS deal before it has been ratified. The position has developed since Thursday's debate.

The matter is important because local authorities and parents now feel abandoned and deceived by the Government. A short period of calm after the 1985 settlement was needed, so that all could work towards a lasting solution. That is now threatened. Unlike Secretaries of State, who come and go, children are children and we are failing them.

Mr. Speaker: The hon. Gentleman asks leave to move the Adjournment of the House for the purpose of discussing a specific and important matter that he believes should have urgent consideration, namely,

"the latest developments in the teachers' dispute."

I have listened with care to what the hon. Gentleman said. He knows that my sole duty in considering an application under Standing Order No. 10 is to decide whether it should be given priority over the business already set down for this evening or for tomorrow. I regret that the matter that he has raised does not meet the criteria laid down in the Standing Order; I cannot, therefore, submit his application to the House.

Westland plc

3.35 pm

Mr. Neil Kinnock (Islwyn): I beg to move, That this House do now Adjourn.

Leave having been given on Thursday 23 January under Standing Order No. 10 to discuss:

The circumstances surrounding the publication of classified information relating to the future of Westland plc.

Mr. Kinnock: For all of the people in the Westland company, the affairs of that company are obviously vital. For most of us outside the company, the affairs of the company have become increasingly important in recent months. But no one inside or outside the Westland company would have considered four weeks ago that this matter could become one of such current critical significance.

As the Prime Minister said yesterday, it was a comparatively small thing. Now it is palpably a very big thing. It has grown in size because of the actions and the attitudes of the right hon. Lady and Members of her Administration. Of course, the Prime Minister says that it would never have assumed this proportion but for the fact that one member of the team was not playing like a member of the team. It is plainly true that we and the country would not have known what we know now but for the fact that the right hon. Member for Henley (Mr. Heseltine) kicked over the bucket of worms by resigning earlier this month. All the dishonesty, duplicity, conniving and manoeuvring would still have been taking place. We would not have known about it quite so quickly and quite so clearly.

Evasions, manoeuvrings and deceits nurtured this comparatively small thing until it became a very big thing. It was turned from an issue into a crisis by the dishonesty of people in this Administration. That dishonesty infected the Government's whole approach to the affairs of Westland plc. There was a basic duplicity of their public dispassion about the affairs of that company and their private partisanship in the bids that were being made for Heseltine—[*Laughter.*]—for Westland. I think that may be the last occasion on which Conservative Members of Parliament have cause to be amused in this debate. Clearly, they hold a cavalier attitude towards dishonesty, which may explain the attitude of many of them—

Mr. Tony Marlow (Northampton, North): On a point of order, Mr. Speaker. Is it in order for the Leader of the Opposition to accuse hon. Members of this House of dishonesty?

Mr. Speaker: I think the Leader of the Opposition would wish to withdraw any allegation of dishonesty against Members of this House.

Mr. Kinnock: I only withdraw allegations if the cap does not fit—[*Interruption.*]

Mr. Speaker: Order. This is a debate in which the House is taking a great interest. I ask the House to keep it on a level which is in keeping with our conventions. I am sure that the Leader of the Opposition, at the beginning of his speech, would wish to get us off to a good start.

Mr. Kinnock: You have that guarantee, Mr. Speaker, and it will continue like that — [HON. MEMBERS: "Withdraw."]

Mr. Speaker: Order. I would ask the right hon. Gentleman to withdraw any allegations of dishonesty.

Mr. Kinnock: I said that hon. Members opposite have a cavalier attitude towards dishonesty. [HON. MEMBERS: "Withdraw."] On the point of order, Mr. Speaker, on the basis of the view that you take of affairs, I will certainly withdraw what I said earlier. I said that the Government's attitude was one of public dispassion and private partisanship. There are also the standing charges that still exist about moved meetings and minutes that were incomplete, and now we have the differing versions still existing of the meeting between Sir Raymond Lygo and the then Secretary of State for Trade and Industry. We know enough of the truth about the connivings of 6 January to understand that the dishonesty has run right through this whole episode. [Interruption.]

All dishonesty has to stop. We have had two dress rehearsals from the Prime Minister full of half-truths and concealments. Today the Prime Minister must come clean. That is not only my view; it is the view expressed throughout the country and expressed by the Home Secretary in the course of his interview yesterday. Today, the Prime Minister must answer the questions that she signally and significantly failed to answer six times last Thursday.

First, when did the Prime Minister find out about the decision to leak, how it was to be done and who was to do it? Secondly, how can the Prime Minister explain her claim that she did not know what action was being taken? Thirdly, did the Prime Minister establish an inquiry in response to the justifiable outrage of two Law Officers who felt that their integrity was being abused and compromised—

Mr. Churchill (Davyhulme) *rose*—

Mr. Kinnock: —or was there an additional reason for that? After seven days delay, did the Prime Minister establish an inquiry whose conclusions would not in the normal course of events be published, simply because she knew that demands for such an investigation would most certainly be made? Was that inquiry established for detection or was it established for deception? Was it set up to obscure the issues and to provide an excuse for silence? Was it set up by a Prime Minister who knew very well who had leaked, why they had leaked, when they leaked and what they did it for?

The Prime Minister must give clear and truthful answers to all of these questions. She must make no mistake. Today the Prime Minister is on trial. [HON. MEMBERS: "Rubbish."] The main testimony against the Prime Minister is provided by herself. It is provided by her own words to this House last Thursday, and testimony is further provided by the whole nature of her style of governing. How could it be that a Prime Minister who prides herself so earnestly on her involvement in detail; who prides herself so much on her knowledge of the minutiae of her Government; who has such a deep engagement historically in the Westland affair did not know of a supremely important decision, taken by those so very close to her, to manipulate events on 6 January?

How can it be—

Mr. Churchill: I am much obliged to the right hon. Gentleman for giving way, but before he accuses others

of deceit, will he explain whether it was deceit that led him to falsify his age when he put his first political candidature or did he just forget how old he was?

Hon. Members: Oh, no.

Mr. Kinnock: I think that that may be the best that Conservative Members will be able to do in the course of this afternoon. That was certainly the last time that I inadvertently added a year to my age.

On the testimony against the Prime Minister, provided by herself, we have to ask how it could be that seven days could pass before she recognised that the issue of the leak was so important that it warranted an inquiry. Who would expect us or the country to believe that 16 days could pass between the corrupt practice of that leak and the Prime Minister's discovery of the details when the plotters were her closest confidants—her most frequent companions?

Who would expect the House or the country to accept that in all that time the Prime Minister never asked her associates to venture even a guess about the identity of those involved in the leak? Who can expect us to believe that in all those endless hours of contact, through all those days of discussion and debate and questions and statements in the House and in the even closer quarters of No. 10 Downing street, the Prime Minister was really blundering around in blissful ignorance of the actions of 2 January? Who would expect us to believe any of that?

Well, obviously the Prime Minister expects us to believe that. It is clear that the Prime Minister expects the House, her party and her fellow citizens to suspend all normal standards of belief and to accept that it is strange but true. "Truth," she said on television yesterday, "is often stranger than fiction." When we heard that, as when we heard her last Thursday, many of us wondered whether the Prime Minister had lost the ability to tell the difference between truth and fiction.

We want to know truthfully now exactly when she first knew of the decision to send the Solicitor-General's letter. We want to know truthfully now exactly when she first knew of the decision to leak the Solicitor-General's letter. We want to know now exactly when she first knew of the involvement of the then Secretary of State for Trade and Industry and her office in the conspiracy. When did she first know that he had given his authority, as she put it, and when they had given their cover, as she put it, to act in good faith—act in good faith by making a furtive phone call to the Press Association for the specific and carefully contrived purpose of discrediting another member of her Cabinet?

We know that the right hon. Lady has not answered those questions. She has admitted that herself. Any statement, she said yesterday, is almost always a basis for further questions. That may be the understatement of the Prime Minister's lifetime. [Interruption.] But all we have had so far are excuses for the omissions and evasions of last week—no apologies for not answering questions with meticulous accuracy; just attempted excuses. All we have had is the propaganda about "toughing it out"—a phrase, Mr. Speaker, which you will recall first entered the British vocabulary when it came out of Richard Nixon's office.

We are told that last Thursday the Prime Minister was sheltering the Secretary of State for Trade and Industry. The Home Secretary told Mr. Brian Walden yesterday —[Interruption.] They are going to hear it all, Mr.

[Mr. Kinnock]

Speaker—that he could feel the courage going through the Prime Minister when she made her statement, as the Home Secretary put it, “protecting Mr. Leon Brittan”. That excuse has palpably gone because the late Secretary of State for Trade and Industry has gone, although, interestingly, he went not without resistance. Even when the right hon. and learned Member for Richmond, Yorks (Mr. Brittan) wanted to do the right honourable thing and resign, the Prime Minister tried to talk him out of it and even invited him to apply for the next vacancy for “high office”, as she put it.

But what of the Prime Minister’s excuses for the omissions from last Thursday’s statement and questions? [Interruption.] The Prime Minister said that the majority of the inquiry report — [Interruption.] Even the deliberate efforts, that will be heard by the nation, by Conservative Members to interrupt the House and to prevent someone from getting a fair hearing, will not stop the truth being heard. [Interruption.]

The Prime Minister said that the majority of the inquiry report was new to her. She said that, until the report was available, she did not have the full facts—what she called an “enormous number” of facts. As I listened to her then and to the Home Secretary yesterday, saying how much they wanted to be able to give the full facts, I began to think that it was the Government, not the Opposition, who had got the emergency debate today. [Interruption.]

The protest that there were just too many facts to be absorbed does not carry any weight at all. Of course, it is handy to have the full details for the historians—the dates, the times, the places, the footnotes. But only one fact was absolutely essential for the Prime Minister; one fact really mattered, and that was the fact that the Secretary of State for Trade and Industry and her office had conceived, organised the executed and leak. That was the fact which mattered and it was the fact which the right hon. Lady was forced to admit last Thursday. It was also the fact—the single salient fact—that the right hon. Lady was denied for over a fortnight.

Who were these people who decided to keep the right hon. Lady in the dark? Who were these merciless people who made the Prime Minister, in her innocent ignorance, go through the charade of the inquiry into the leak? [Interruption.]

Mr. George Foulkes (Carrick, Cumnock and Doon Valley): Do something about the giggling schoolgirls opposite.

Mr. Speaker: Order. I did not see anything going on.

Mr. Kinnock: Whatever anyone sees, the whole country will be able to hear what has been going on. Once again, Conservative Back Benchers have decided that, because they cannot take the truth, they will try to bury it. [Interruption.]

We want to know who were the people who prevented the Prime Minister from being able to gain access to the single fact about the involvement of the Secretary of State for Trade and Industry and her office in the decision to leak. Who were the cynics who let the Prime Minister be in the dark for 16 days? Who let her come here to tell truths so partial, so incomplete, that they began to look like untruths and who let her come to make a whole speech in this House on 15 January without telling her that they

knew who had leaked, how they had leaked and why they had leaked? Who were these callous people who caused the Prime Minister so many problems over the weeks?

Why, they were her own Secretary of State for Trade and Industry and, strangest of all, her own Office—the Prime Minister’s very own office, her closest, most senior staff; her office which, in her own words, did not seek her agreement; her office, which, in her words, “considered—and they were right—that I should agree with my right hon. Friend the Secretary of State for Trade and Industry”.—[Official Report, 23 January 1986; Vol. 90, c. 450.]

That begs the question. If her office did not tell the Prime Minister, why did her office not tell the Prime Minister? There can be only two reasons. It was either because they did not want to tell the Prime Minister or because they did not think that there was a need to tell the Prime Minister. If they did not want her to be involved, that could be for only one reason—the simple, straightforward reason that they were doing wrong, that they knew that they were doing wrong and that they did not want the Prime Minister to be contaminated by the guilt.

Of course, it may be that they thought that the Prime Minister did not need to know about what was going on. They might have said to themselves, “There is no need to tell the Prime Minister. We know what her attitude is to Westland. We know her attitude to the turbulent Secretary of State for Defence. We know what her attitude is to his campaign and we know what her attitude would be to us using dirty tricks to defame and undermine the Secretary of State for Defence.”

Were the people in the Prime Minister’s office actually right about that? Do they really know the Prime Minister? Either they do know the Prime Minister and they think of her as a woman who would stoop to conquer, no matter how low, or they are totally mistaken and she is not the woman that they think.

From the Prime Minister’s statement last Thursday it appears that they do not know the Prime Minister. We have the Prime Minister’s own word for it. She told us that her office did know her well enough to guess accurately that she would agree to the attitude taken by the Secretary of State for Trade and Industry and that she did not and would not have consented, if she had been consulted, because she felt that there was a different way, a better way, to make the relevant details known.

Despite their years of close proximity and despite the deep mutual trust that has to exist between the Prime Minister and her office, it appears that they did not know the Prime Minister at all. There they were taking important decisions in her name—[Interruption.]

Hon. Members: Order.

Mr. Speaker: Order. May I say to the House that backchat does no credit to the House.

Hon. Members: It is deliberate.

Mr. Kinnock: Either they knew the Prime Minister or they did not know the Prime Minister. She says that they knew her well enough to understand that she agreed with the Secretary of State for Trade and Industry, but that, had she been consulted, she would have told them that there was a different way and a better way that must be found to make the relevant facts known.

That is all despite those years of close proximity and all that close contact. Despite all of that, there they were, making important decisions for the Prime Minister as she busied herself yards away in Downing street.

They did not tell the Prime Minister, so we are told. All the time, they were outrageously miscalculating the Prime Minister's attitude towards the correct method of putting matters into the public domain. Having made that miscalculation, they then apparently compounded the fault by allowing her to set up an inquiry into a leak which they themselves had perpetrated.

They must have been wrong—practically wrong and terribly wrong; too wrong to enable them to endure in their present positions. At least that is what we would think. How can they continue to carry out the immense responsibilities and be the object of the Prime Minister's trust when they could be so terribly wrong, so we are told, about her attitude towards the way in which that information should be released.

If they are so wrong, why have they not gone? They have not gone, and they are not going. They are not going because the Prime Minister says that she has complete confidence in them. Why has she that confidence in them? Is it because the Prime Minister, who has the reputation for being ruthless with those who fail her, has suddenly gone soft? It cannot be that. It must not be because of charity. Can it be because of complicity by the Prime Minister? Can it possibly be that the Prime Minister is not innocent but that she is implicated and involved?

For the moment, we withhold our judgment while we wait for the Prime Minister to give her account. Last Thursday, in reply to my right hon. Friend the Member for Morley and Leeds, South (Mr. Rees), the Prime Minister said that she hoped that we would have the decency to accept her version of events. We have the decency; what we lack is the gullibility to accept the Prime Minister's version of events.

We want the facts. We want them now. We want only the one version that will be believed—the truth, the whole truth and absolutely nothing but the truth. If the Prime Minister cannot tell that truth, she cannot stay. If she will not tell that truth, she must go.

4 pm

The Prime Minister (Mrs. Margaret Thatcher): Before I come to the wider aspects of this debate, let us recall one thing clearly: the background is the future of Westland and its work force. We have to remember that that future still hangs in the balance. The Government's position throughout has been that it is for the company itself to take decisions about the course to follow in the interests of the shareholders and the employees, but the Government are a major customer of the company and the Government's policies and intentions in that capacity are very relevant to the decisions that the company has to take.

It is, therefore, of the first importance that any pronouncements by the Government that might affect the company's decisions are accurate, consistent and in no way misleading. It is largely because one member of the Cabinet could not accept arrangements designed to secure the accuracy and consistency of Government statements that we are debating the whole matter today.

I propose to deal at once with some questions that have arisen since my statement of 23 January. I shall do so under three headings: First, the circumstances leading up

to the letter of 6 January by my hon. and learned Friend the Solicitor-General; secondly, the reasons for having an inquiry; and, thirdly, the outcome of the inquiry.

First, I shall deal with the circumstances leading up to the Solicitor-General's letter. The House will recall that I had cleared my own letter of Wednesday 1 January to Sir John Cuckney with the Departments concerned and with my hon. and learned Friend the Solicitor-General, for the reasons I have already given.

On Friday 3 January, there was an exchange of letters between Mr. Horne of Lloyds merchant bank, representing the European consortium, and my right hon. Friend the then Secretary of State for Defence. In his letter, Mr. Horne asked for amplification of a statement in my letter to Sir John Cuckney. As the House knows, my right hon. Friend went into considerable detail in his reply. His letter had not been discussed with my office before it was sent, even though it dealt with points arising from my letter to Sir John Cuckney.

On the following day, Saturday 4 January, I saw copies of the exchange of letters. In view of the very careful steps that I had taken to clear my letter to Sir John Cuckney with the Departments concerned and with the Solicitor-General, I made inquiries to find out whether the Defence Secretary's letter had been cleared in the same way with the Department of Trade and Industry and with the Law Officers. It had not. In view of the continuing need for accuracy and consistency in Government statements on this subject, I asked that a message be sent to my right hon. and learned Friend the then Secretary of State for Trade and Industry, as the sponsoring Minister for Westland, to suggest that he should ask the Solicitor-General to consider—[HON. MEMBERS: "Ah."]

Mr. Speaker: Order.

The Prime Minister: The Defence Secretary's letter and give his opinion on whether it was accurate, and consistent with my own letter to Sir John Cuckney.

The Solicitor-General, on the basis of the evidence available to him, formed the provisional opinion that the Defence Secretary's letter contained material inaccuracies which needed to be corrected. This view was reported to me. The matter could clearly not be left there. I therefore, through my office, asked him to consider writing to the Defence Secretary to draw that opinion to his attention. I learned subsequently from the Solicitor-General that he spoke to the then Defence Secretary on the telephone that same evening and told him his provisional opinion about the letter and warned him that he would probably write to him on Monday 6 January, when he had checked the documents, and advise him to correct the inaccuracy.

The Solicitor-General further considered the documents on the morning of Monday 6 January. They confirmed him in his opinion. He therefore wrote to the Defence Secretary, advising him to write again to Mr. Horne correcting the inaccuracies. My right hon. Friend the Member for Henley (Mr. Heseltine) has asked for the further exchanges between himself and the Law Officers to be published. I have arranged for copies of the correspondence to be placed in the Library of the House.

It has been said that the letter to Mr. Horne has not been corrected. So far as the Government are concerned, we made it clear to the company—in the letter to Sir John Cuckney of 13 January from the permanent secretary to the

[The Prime Minister]

Ministry of Defence, a copy of which has also been placed in the Library of the House—that there was nothing to add to my letter to the company of 1 January.

Perhaps more to the point, my hon. Friend, the Minister of State for Defence Procurement made it clear, in his answer to the hon. Member for Yeovil (Mr. Ashdown) on 13 January, that the order for six additional Sea Kings would be placed if the plans for the five-nation battlefield helicopter project were approved, whichever reconstruction proposal Westland shareholders approved, and not—as my right hon. Friend had said—only if the European consortium proposals were accepted.

I explained to the House on 23 January how extracts from the Solicitor General's letter were disclosed to the media on 6 January. I repeat that I deeply regret that this was done without reference to the Solicitor-General. Indeed, with hindsight, it is clear that this was one, and doubtless there were others, of a number of matters that could have been handled better, and that, too, I regret.

As I said to the House in 23 January, the company was informed also. There have been reports in the newspapers to the effect that that statement was wrong, and the company had not been informed. I understand that Sir John Cuckney's office has now confirmed that he did receive a call from the Department of Trade and Industry in the early part of that afternoon. The official in the Department of Trade and Industry concerned has again clearly confirmed that he made such a call, as he told the head of the Civil Service in his evidence to the inquiry.

As the full details of the disclosure only became known as a result of the inquiry which was subsequently instituted, I propose to deal next with the question why it was decided to hold such an inquiry.

Mr. Dennis Skinner (Bolsover): Will the Prime Minister give way?

The Prime Minister: I shall deal with these matters under the three headings I have given. On Tuesday 7 January—

Mr. Skinner: Will the Prime Minister give way?

Mr. Speaker: Order. The Prime Minister is not giving way.

The Prime Minister: On Tuesday 7 January, the day after the Solicitor-General's letter was disclosed, my right hon. and learned Friend the Attorney-General sought the view of the head of the Civil Service as to whether it would be appropriate for the Law Officers to seek a formal inquiry.

After discussions between the Attorney-General and the head of the Civil Service, my right hon. and learned Friend made clear his view that there should be an inquiry. The head of the Civil Service minuted me formally on Friday 10 January seeking my authority for the institution of such an inquiry. I readily gave him that authority. In fairness to everyone, it was essential to have a full and objective report on what had happened, and it was clearly desirable that all the officials concerned should be able to give their own full accounts of their part in what had occurred.

My authority was conveyed to the head of the Civil Service on Monday 13 January. The following day, I informed the House that an inquiry had been instituted. I had been asked by the Law Officers to institute such an

inquiry. I was formally advised by the head of the Civil Service to do so. I had no doubt that it was right to set up the inquiry.

Indeed, on 7 January the hon. Member for Swansea, West (Mr. Williams) an Opposition Front Bench spokesman—

Mr. Mark Fisher (Stoke-on-Trent, Central) *rose*—

The Prime Minister—wrote to me to ask that an inquiry should be set up so that—I quote: “the full facts can be established”.

Even so, some hon. Members opposite have subsequently criticised the decision to hold an inquiry.

Mr. Alan Williams (Swansea, West): The Prime Minister said that she received a letter from me the day following the leak. Why on earth has she not told the House whether she knew the facts of the leak at the time that she received my letter?

The Prime Minister: I am dealing with the setting up of the inquiry—[HON. MEMBERS: “Answer.”]—and I shall deal then with the outcome of the inquiry and what I did know and what I did not. I have in fact done it in what I believe is the best order.

If I had rejected the advice that I had received, if I had refused to hold a formal inquiry, the parties opposite would have had just cause to criticise me. I have no doubt that they would have done so. To be criticised when I agreed to an Opposition request to hold an inquiry is, to say the least, an unusual experience. The inquiry reported to me on 22 January.

In my statement to the House the following day, I set out the steps by which the Solicitor-General's letter of 6 January was made public, as this emerged both from the accounts of officials as reported by the inquiry and also from my subsequent discussions with the then Secretary of State for Trade and Industry, whom I should like in this House to thank for his years of devoted service.

Mr. Tam Dalyell (Linlithgow) *rose*—

The Prime Minister: I am not giving way. I am going on because I have a long speech to make, and I must get through it.

Mr. Dalyell: Will the Prime Minister give way?

The Prime Minister: It was the common purpose of all concerned that, at a time when difficult commercial judgments and decisions had to be made by the company, it was important that all pronouncements by the Government should be accurate, in no way misleading, and consistent with each other. [Interruption.]

Mr. Speaker: Order.

The Prime Minister: It followed from that that, if a statement was made which appeared to be inaccurate or misleading or inconsistent with other Government statements, then it was the duty of the Government to make sure that the record was corrected as soon as possible.

When the Solicitor-General's letter was brought to his attention, the Secretary of State for Trade and Industry took very much that view of the matter. He was clear that it was desirable to bring into the public domain as soon as possible the fact that the Solicitor-General had written to the then Defence Secretary, and the opinion he had expressed. The Secretary of State made it clear to his

officials that, subject to the agreement of my office, he was giving authority for the disclosure to be made by his Department, if it was not made, as he said he would prefer, from 10 Downing street. That I indicated in my statement last week.

Mr. Dalyell: Will the Prime Minister give way?

The Prime Minister: This is a very tightly drafted argument and I should prefer to go on. I will give way later. Officials in the Department of Trade and Industry—

Mr. Dalyell rose—

Mr. Speaker: Order. I think that the Prime Minister said that she would give way later.

The Prime Minister: Officials in the Department of Trade and Industry—

Mr. Dalyell rose—

The Prime Minister: I shall give way to the hon. Gentleman later. I wish to continue this section.

Officials in the Department of Trade and Industry approached officials in my office, who made it clear that it was not intended to disclose the Solicitor-General's letter from 10 Downing street; but, being told that the Secretary of State for Trade and Industry had authorised the disclosure, they accepted that the Department of Trade and Industry should make it and they accepted the means by which it was proposed that the disclosure should be made.

My officials made it clear to the inquiry that they did not seek my agreement. They told the inquiry that they did not believe that they were being asked to give my authority, and they did not do so.

Mr. Bryan Gould (Dagenham) rose—

Hon. Members: Who?

Mr. Speaker: Order.

The Prime Minister: If they had believed—

Mr. Dalyell rose—

The Prime Minister: If they had believed my authority was being sought, they would certainly have consulted me.

Mr. Dalyell rose—

The Prime Minister: No, not at the moment. This is very important. [HON. MEMBERS: "Hear, hear."]

Officials of the Department of Trade and Industry told the inquiry that they regarded the purpose of their approach to my officials as being to seek agreement to the disclosure as well as to the method. They believed that they had the agreement of my office, and acted in good faith, in the knowledge that they had authority from their Secretary of State and cover from my office.

Mr. Dalyell: —will the Prime Minister allow me?

Mr. Kinnock rose—

The Prime Minister: No, I must go on at this moment. This is vitally important. Although clearly neither side realised it at the time, there was a genuine difference in understanding between officials as to exactly what was being sought and what was being given. [Interruption.]

Mr. Dalyell rose—

The Prime Minister: I have given the House the view of what officials on each side told the inquiry. That is our reason why it was vital to set up the inquiry.

Mr. Dalyell rose—

The Prime Minister: As I indicated, officials too had the right to put their view of their part of what had occurred. I deeply resent any attacks upon them.

Mr. Dalyell rose—

Mr. Speaker: Order.

Mr. Dalyell: Will the Prime Minister—

Mr. Speaker: No. The hon. Member knows that the Prime Minister said that she would give way later. He must not keep on rising.

The Prime Minister: But it is common ground, as I told the House on 23 January—it was accepted—that the Department of Trade and Industry should disclose the fact that the then Defence Secretary's letter of 3 January was thought by the Solicitor-General to contain material inaccuracies which needed to be corrected, and that, in view of the urgency of the matter, the disclosure should be made in the way that it was. I have given the House this account—

Mr. Dalyell rose—

The Prime Minister —of the accounts which were given to the inquiry.

Mr. Dalyell rose—

Mr. Kinnock rose—

The Prime Minister: I give way to the hon. Gentleman who has been rising, and to whom I promised to give way.

Mr. Dalyell: What are we to derive from the right hon. Lady's answer to the friendly intervention of her hon. Friend the Member for Woking (Mr. Onslow), the chairman of the 1922 Committee, in relation to putting it in the public domain when she said:

"I gave my consent." — [Official Report, 23 January 1986; Vol. 90, c. 455.]

What interpretation is to be put on that?

The Prime Minister: I gave my consent to an inquiry, I co-operated with it and I set out the facts as fully as possible, in that statement. I noticed that I had said that at that particular time. I did not give my consent to the disclosure. It was not sought and I have indicated that I deeply regret the manner in which it was made.

Mr. Stuart Bell (Middlesbrough) rose—

Mr. Tony Banks (Newham, North-West) rose—

Mr. Kinnock: I am grateful to the Prime Minister. Will she tell us what conceivable misunderstanding between the Department of Trade and Industry and her office could permit them to breach the Official Secrets Act and, in the words of the Solicitor-General, "immediately and flagrantly" to violate an important rule without any form of consultation with her as head of Government. Will she now tell us when she knew?

The Prime Minister: I have just set out—[HON. MEMBERS: "No!"] I have just in fact set out what my officials believed and what the Department of Trade and industry's officials believed. The right hon. Gentleman

[The Prime Minister]

will not accept that there was a genuine difference of understanding, which is something that happens almost every day in normal life, and he tries to deny it. Officials, too, have the right to be heard and not automatically be castigated by the other side. In answer to the question which I think hon. Members will be asking, I did not myself know about the disclosure of the Solicitor-General's letter until some hours after it had occurred. —[*Interruption.*] Right hon. and hon. Gentlemen have been asking for the facts, and I am giving them. I have taken immense trouble to have them checked. I discussed the matter with my office the following day, when I also learned of the Law Officers' concern. I was told that the Solicitor-General's advice had not been disclosed by my office.

Mr. Skinner: Why have an inquiry then?

The Prime Minister: I was also told, in general terms, that there had been contacts between my office and the Department of Trade and Industry. I did not know about the then Secretary of State for Trade and Industry's own role in the matter of the disclosure until the inquiry had reported. [*Interruption.*]

Mr. Michael Foot (Blaenau Gwent) rose—

Mr. Speaker: Order.

The Prime Minister: Hon. Gentlemen have asked me for the facts.

Mr. Speaker: Order. The Prime Minister is not giving way.

The Prime Minister: Let me finish this section and then I will give way. The difference of understanding between officials in my office and those in the Department of Trade and Industry only emerged after the inquiry had started.

Mr. Foot: Is the Prime Minister telling us that, from the day after the leak, on 6 or 7 January, right up until after the inquiry had reported, her right hon. and learned Friend the then Secretary of State for Trade and Industry did not make any effort whatsoever to tell her how he had authorised the inquiry — [HON. MEMBERS: "Leak."] authorised the leak? If so, does she think that such a Member is fit to be in any Cabinet, let alone hers?

The Prime Minister: I have indicated what the facts are and I have indicated the high regard in which I hold my right hon. and learned Friend the then Secretary of State for Trade and Industry. [*Interruption.*]

Mr. Speaker: Order.

The Prime Minister: I have given the answers after strenuous efforts to check them with the officials concerned and with the Departments concerned.

The Government's policy throughout has been to help Westland to seek the solution which would enable the company to continue in business as a private sector concern. It is this Government who fought to help it get the Indian order; it is this Government who undertook to write off nearly £40 million of launch aid if the W30 project was terminated; it is this Government who ensured that the board of Westland had a choice of options; and it is this government who have pledged themselves to resist

discrimination against Westland in Europe, whichever option for its future it chooses. This was, and is, the right policy.

But from the Opposition we have heard nothing constructive. Oh yes, in the debate on 15 January, they offered the company their own two options. But what were they—nationalisation, or receivership.

The fact is that the Opposition parties, with the exceptions of the hon. Members for Yeovil and for Isle of Wight (Mr. Ross) are exploiting Westland and its employees, exploiting them for nothing more than their own narrow political advantage. It was the right hon. Gentleman the leader of the Labour party who told his party conference, and I quote:

"you cannot play politics with people's jobs . . . they have no time for such posturing".

[*Interruption.*]

Yet that is precisely what he has been doing and has done again today.

Mr. Kinnock rose—

Hon. Members: Give way.

The Prime Minister: Let me tell hon. Members the real reason for this debate. It is not because of the Opposition's concern for Westland and its employees; until today they have said precious little about them. It is not because of their passionate belief in the defence of the realm; their policies would leave us defenceless.

Mr. Kinnock: Let me remind the right hon. Lady of the "real reason" as she put it, for the debate. It is to find out the truth. The House is not satisfied, and the country will not be satisfied, that she has given us the full details. I ask the right hon. Lady again—when, truly, did she know? Can she expect us to believe that her office did not tell her when it knew? Can she expect us to believe that she was neither told by the Secretary of State for Trade and Industry nor did she ask the Secretary of State for Trade and Industry exactly what was going on?

The Prime Minister: What the right hon. Gentleman cannot stand is that I have given him the facts and he does not like them.

Hon. Members: No.

Hon. Members: Yes.

The Prime Minister: The Opposition have deliberately blown up this issue out of all proportion. This debate is part of a massive diversionary tactic by the Opposition. They would like first to divert public attention from the growing extremism of their own party—as we have all seen so unmistakably in Liverpool, Lambeth and Tottenham—and secondly, to divert us from vigorously pursuing our policies and plans for our country's future.

We are not going to be diverted from the tasks we were elected to carry out. We shall gather with renewed strength —[*Interruption.*]—to extend freedom and ownership to give power back to the people and to keep our country strong and secure.

4.28 pm

Dr. David Owen (Plymouth, Devonport): I believe that the Prime Minister, in retrospect, will wish that she had not made the latter part of her speech because, whatever the House wants to hear today, it does not want a party political — [*Interruption.*] What the House

wanted from the Prime Minister—and, wherever the answers come from—what both sides of the House wanted, was the truth from the Prime Minister.

Some new facts have been disclosed, which are of considerable importance. The Prime Minister told the House that she drew the attention of the then Secretary of State for Trade and Industry to the letter that had been written by the then Secretary of State for Defence and suggested that he should ask the Solicitor-General to see whether there were any inaccuracies. She told us that she did that on 4 January. She has further told us that she knew on 4 January, before the Solicitor-General rang up the then Secretary of State for Defence, that there were, on a provisional look at the documents, material inaccuracies, but that the hon. and learned Gentleman would write to the then Secretary of State for Defence on 6 January. So the Prime Minister, on Saturday, Sunday and Monday before 1.30, when the letter from the Solicitor-General arrived at her office, knew that it was highly probable that there would be material inaccuracies, in the view of the Solicitor-General, in the letter of the then Secretary of State for Defence.

The question that the Prime Minister has not answered is what conversations took place with her private office between her and Mr. Ingham and her principal private secretary, Mr. Powell, about what should be done if those material inaccuracies, provisionally thought by the Solicitor-General to have occurred, were confirmed in the letter that she was warned would be distributed on the Monday. I must say to the Prime Minister that it is not unreasonable to believe that she would have discussed that with those two individuals or at least one individual. It is a reasonable assumption that it was in the knowledge of how she reacted to the whole series of events that they felt confident to give the cover that she herself claimed in her statement—[*Interruption.*] I do not know. I am merely pointing out a major gap in the Prime Minister's account.

I ask the Prime Minister now to clear that up and to tell the House. Did the right hon. Lady discuss the issue with Mr. Ingham and Mr. Powell on the Saturday evening, the Sunday or the Monday morning? Did you, Prime Minister? [HON. MEMBERS: "Order."] That is the question that we are entitled to ask. I do not believe that it will be understandable to those who have worked in the Government machine that those two senior officials could have given the cover when asked by the Secretary of State for Trade and Industry.

The decision to leak a document written by a Law Officer is a very serious decision. There is a strict understanding within the Government that the advice of the Law Officers is never referred to. It is only ever disclosed in very exceptional circumstances by the Law Officers themselves. The last occasion was when the Attorney-General released his opinion in 1982 on the Greater London council. A further issue arose when Attornies-General and Solicitors-General in successive Governments issued their views on the Simonstown agreement. It is a strict convention, which would have been known by Mr. Powell, and ought to have been known by Mr. Ingham, that under no circumstances did anyone, certainly not those senior officials, reveal the Law Officers' advice. This is not some minor leak. This is not a question of inter-party strife. It is not an argument between the Prime Minister and her then Secretary of State

for Defence. It goes to the core of the Government and their integrity in relation to the position of the Law Officers.

I must say to the Prime Minister that I find it very hard to believe that Mr. Powell, who was a diplomat and who is now on secondment to No. 10 Downing street, a person of outstanding integrity, would have agreed to the Department of Trade and Industry disclosing that information unless he had a pretty clear view of how the Prime Minister wanted the matter to be dealt with. The Prime Minister owes it to the country to say what discussions she had with Mr. Ingham and-or Mr. Powell.

I gather from the Prime Minister's silence that she will not tell us. If she winds up the debate, as I hope she will, I hope that she will answer that question. If she does not do so, the question will remain. If she does not do so; if she allows it to be assumed that those officials made that decision on 6 January without reference to her, there is no question of what has to happen now. It is not just that the right hon. and learned Member for Richmond, Yorks (Mr. Brittan) resigned because he obviously felt that he had lost the confidence of his colleagues. As a lawyer, he must have understood the significance of the decision that he took to authorise his Department to allow the Solicitor-General's letter to be partially leaked. But it must be the case that both Mr. Ingham and Mr. Powell will certainly be now subjected to the normal disciplinary procedures that cover civil servants and members of the diplomatic service. It is inconceivable that they can continue to advise the Prime Minister. That demand must be made. Mr. Ingham is paid as a civil servant. Mr. Powell is a diplomat. They are governed by rules and regulations that cover all officials of all Governments. At the core of this issue is an issue that has been causing concern for some time—the integrity of the Civil Service. There is one person who is responsible for that now. That person is the Cabinet Secretary.

I refer to the Solicitor-General's letter. The Prime Minister said that it was essential that the full facts were given. The Solicitor-General's letter, written on 7 January and now in the Library, reveals that the letter of the Secretary of State for Defence did not contain the material inaccuracies that he had originally thought. He says:

"The additional evidential material on which you rely, and in particular the conversations with your European colleagues to which you have referred, is identified to me in your letter in terms too general for me to be able personally to assess whether the accuracy test is fulfilled. I quite understand why this may be unavoidable, particularly in the case of the conversations with your European colleagues, but it means that the judgment as to whether that test is satisfied must remain your own responsibility."

Therefore, at the end of the day, the Solicitor-General's interference has not made any material difference to the Defence Secretary's case. However, I should like to quote the most damning part of the Solicitor-General's letter:

"I want to express my dismay that a letter containing confidential legal advice from a Law Officer to one of his colleagues should have been leaked, and apparently leaked moreover in a highly selective way. Quite apart from the breach of confidentiality that is involved, the rule is very clearly established that even the fact that the Law Officers have tendered advice in a particular case may not be disclosed without their consent, let alone the content of such advice. It is plain that in this instance this important rule was immediately and flagrantly violated."

What does that say for the competence of the Prime Minister, and the competence of the Government?

[Dr. David Owen]

The fact of the matter is that the issue now rests on the Prime Minister's competence and the competence of her private office, and the degree of trust and honour in her private office. It is not often realised that the Prime Minister's principal private secretary has his desk as close to the Prime Minister sitting in No. 10 in the Cabinet Room as you are to me, Mr. Speaker. It is extraordinary that throughout this period, from the moment when the Prime Minister admits that she talked to her officials on 7 January, she did not ask them point blank what the view of the right hon. and learned Member for Richmond, Yorks was. The Prime Minister tells us that she did not know about the view taken by the right hon. and learned Member for Richmond, Yorks over this disclosure until she read the Cabinet Secretary's report.

That says a lot for the Prime Minister's diligence and attention to detail. It is inconceivable that the Prime Minister did not ask what the right hon. and learned Gentleman's attitude was. It is almost as inconceivable that he did not tell her what his attitude was.

It is extraordinary that we are asked to believe that there was a difference of opinion between the Department of Trade and Industry officials and Mr. Bernard Ingham as to whether or not this should be considered to be an authorisation from No. 10. Mr. Bernard Ingham has ruled the Government's press information with a rod of iron for nearly seven years. His role is more dominant in the Government's information service than that of any Prime Minister's press secretary this century. It is extraordinary that the lady concerned in the Department of Trade and Industry, when going to Mr. Ingham, should now be told that he was not giving her No. 10's authority. Frankly, no one who has seen the way that Mr. Ingham has operated or, the way the lobby system has been manipulated and twisted over the past few years, can possibly believe that this mild, insignificant, modest, quiet and unassuming Yorkshireman did not give his authority to that lady in the Department of Trade and Industry.

The Prime Minister has achieved what I think in retrospect she may most regret. She does not regret the passing of the Secretary of State for Defence, though I believe that she genuinely regrets the passing of the right hon. and learned Member for Richmond, Yorks. By not admitting that she, by her general demeanour and general standing, gave a steer and guidance to Mr. Ingham and Mr. Powell, she has left those two men with no alternative other than to resign. It is a sad commentary upon the Prime Minister's integrity that the only way that the integrity of the Civil Service can be maintained is for those men to take the honourable course and resign.

The Prime Minister must have hoped that this debate would end this whole affair. I fear, Mr. Speaker, that it will not. The Prime Minister has revealed both today and in former days that she is not worthy to hold the high office that she does.

4.42 pm

Mr. Michael Heseltine (Henley): I had not originally intended to take part in this further debate, and I shall not keep the House for more than a few moments. There are only one or two aspects on which perhaps I may be allowed to comment.

I should like to place on record that I believe that from start to finish in this entire matter the behaviour of my hon. and learned Friend the Solicitor-General was exemplary.

I listened with great care, as did all my right hon. and hon. Friends, to what my right hon. Friend the Prime Minister had to say. The House will realise that for me, as well as for many right hon. and hon. Members, my right hon. Friend's speech filled in a great deal of the background that we could not have known about before. I heard the Prime Minister clearly say that she deeply regretted the fact that the letter from my hon. and learned Friend the Solicitor-General had been leaked. She went on to say that a number of other matters could have been better handled and she regretted that, too. I think that that is a difficult and a very brave thing for a Prime Minister to say in such circumstances. I could not have asked for words other than those that my right hon. Friend the Prime Minister used.

For my part, I would say that in the circumstances, where colleagues in a Government feel strongly, as undoubtedly my right hon. Friend The Prime Minister and my right hon. and learned Friend the Member for Richmond, Yorks (Mr. Brittan) did—I know that they will respect my position and feelings just as strongly, though perhaps from a different point of view—it is understandable that sometimes the atmosphere and decisions are not always all as we would wish them to be. I have no doubt that things that I did are open to criticism, and I accept a responsibility for that.

There are two issues on the substance of the Westland affair. The first concerns the future of the company and its effective control. As the House knows, I hold very strong views about our strategic defence interests, and I argue that Westland should remain part of the British and European Community as far as the industrial base is concerned. I shall seek to do everything that I personally can do to ensure that that is maintained.

The other issue concerns the politics of the matter. I believe that what the Prime Minister has said today brings the politics of this matter to an end and that any further questions that are to be asked will properly be asked by the all-party Select Committee.

Mr. Skinner: Who is after votes now?

Mr. Heseltine: I can answer that question, characteristically delivered from a sedentary position. The reason why the Tory party is after votes is because we have heard the speech of the Leader of the Opposition. If there are men born for whom the highest attainment is to remain Leader of her Majesty's Opposition, the Leader of the Opposition is such a man. I do not believe that the House has listened in a decade to a worse parliamentary performance than the one we heard today. Of course, it is the constitutional duty of the Opposition to exploit a Government's difficulties, but they cannot even make a decent job of that.

In what has been a difficult and stressful experience for the Conservative party, let us understand clearly where we stand tonight. We shall be in the Lobby together with one purpose—to maintain a Tory party in power in this country and to keep the Labour party out.

4.48 pm

Mr. Michael Foot (Blaenau Gwent): After the intervention of the right hon. Member for Henley (Mr.

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y (Mr.

Heseltine) I had a momentary twinge of sympathy for the Cabinet and what they might have suffered, but the twinge passed. As the right hon. Gentleman spoke, I was reminded of a comment made by a far greater figure, as I am sure that the right hon. Gentleman will agree—Sir Winston Churchill, who did change parties occasionally—who said, "It's all right to rat, but you can't re-rat."

Sir Peter Tapsell (East Lindsey): The point about Sir Winston Churchill is that he did re-rat.

Mr. Foot: I accept the correction. I will watch the future career of the right hon. Member for Henley with that in mind. At present, however, we have far more important matters to consider than the right hon. Gentleman's future.

I listened to the Prime Minister's speech with great care, as it was an extremely important speech in the history of this Parliament and of her own life, but I must say that she did not answer many of the questions that had been put. Those questions will continue to be put until we get answers to them.

This debate and the events to which it relates turn on questions of confidentiality or, as the Prime Minister insisted in yesterday's interview—and I agree with her—collective Cabinet responsibility and its implications. Let us go back, first, to 14 January—the Tuesday after the House came back from the recess—when the right hon. Lady referred to these matters in her replies. We were then discussing the letter from the head of British Aerospace. On that occasion, the right hon. Lady was extremely insistent on a very important matter. She said:

"As the hon. Gentleman is aware from answers that have been given many times by me, it is my practice not to publish exchanges with third parties, nor to reveal them if they are marked 'Private and strictly confidential.'"

In later emphasis on the matter, she said:

"With respect, I think that I have probably answered this question several times, but let me repeat the reply. The letter was marked 'Private and strictly confidential.' It is my invariable practice not to reveal publicly such correspondence without the permission of its author."—[*Official Report*, 14 January 1986; Vol. 89, c. 920-22.]

We are therefore partly examining how that invariable practice came to be varied in this instance.

The then Secretary of State for Trade and Industry also emphasised this matter in his replies the previous day. He said:

"As for saying that the letter was marked 'Strictly private and confidential', the right hon. and learned Gentleman should be well aware that in matters of this kind it is the existence of the letter as much as its contents that is strictly private and confidential and that the confidentiality is one imparted by the author of the letter and no one else."—[*Official Report*, 13 January 1986; Vol. 89, c. 873.]

I agree with both those statements. Leaving aside the part of the Prime Minister, the Secretary of State for Trade and Industry made that statement to the House on 13 January. Yet on 6 January he had authorised the leakage of a confidential document without any reference to the author and, as has already been stressed, in circumstances of particular embarrassment and difficulty—even constitutional difficulty—because it was a letter from the Law Officers. It is barely credible that a Minister who could make that statement to the House on the afternoon of 13 January should have been guilty only a few days previously of such a departure from the "invariable practice" described by the Prime Minister. It is equally incredible that, after such conduct and after the Prime Minister had insisted on the strength of her commitment to that doctrine, the right hon. Lady should be so eager to

keep in her Cabinet a Minister guilty of such behaviour, especially in the light of the few revelations that she has made today.

The Prime Minister has contributed something today, in that she has stressed how much she new about this on the previous Friday and Saturday, which makes the admission of her finding out on the Monday or the Tuesday all the more remarkable. Even more remarkable is the failure of her own Cabinet Minister to tell her on that Monday or Tuesday. I shall come in a moment to the confusion—if that is the correct word—in the Prime Minister's own office. What is the situation that the country is asked to believe? Is it that from the Monday or Tuesday of the leakage right up to the time when the Prime Minister received the report—a period when many Opposition Members were putting pertinent questions to the Secretary of State and others and receiving evasive answers—the Prime Minister with all her determination to settle these matters did not even inquire what had happened?

Why was the Prime Minister so reticent? She is not normally guilty of that. I am not talking about civil servants, but about relations within the Cabinet. Why did she not ask the Secretary of State for Trade and Industry to come along and tell her? He was quite an obedient member of the Cabinet and I dare say that if asked politely he would have been good enough to come along and explain. Was the Prime Minister not even curious, let alone probing? Did she not want to discover what had happened? Or was she so obsessed with all these other questions that she did not even trouble to ask what had happened?

When she eventually set up the inquiry—it was a bit late and some of us had assumed that it would be set up straight away—did the Prime Minister have no discussions with the Minister concerned? Is she really asking us to believe that she set up the inquiry without troubling to ask the Minister concerned what he thought about any part of it? She was treating the Minister as the Minister was treating the Law Officers, and we cannot have that. It is an extraordinary tale. For the Prime Minister's own peace of mind, I wish that she had been able to say a little more than that, because that gap will remain. I thought that she would try to answer it today but she has not done so. She has merely said that she would have been in difficulties if she had not agreed to an inquiry.

Mr. D. N. Campbell-Savours (Workington): Mayhew knows the truth. He was used.

Mr. Foot: If only the Prime Minister had talked to the Secretary of State for Trade and Industry and got the truth from him—assuming that that honourable Minister was prepared to tell her—she could have come to the House and told us. She could have said that the honourable Minister whom she always wished to keep in her Cabinet and whom she would always wish to have back in her Cabinet would never mislead her and had told her what had happened. In fact, he kept his mouth shut, or she kept her ears shut, all through that period.

That is an intolerable way for the Prime Minister to treat the House. She should have spoken to us much earlier. She should have been here on 13 January and on other occasions when the music was going against her. Had she done so, she might have avoided the terrible catastrophe that has befallen her and the Government.

[Mr. Foot]

The right hon. Member for Henley said the other day that there was a constitutional crisis—a breach in the constitution—although he seems to have got over that pretty quickly. I never thought that it was a breach of the constitution. To me, it is a matter of common decency and plain speaking. It is a matter of coming to the House of Commons and telling the House the truth. It is a matter of coming to this House of Commons and telling the truth.

Mr. Campbell-Savours: Mayhew knows the truth.

Mr. Foot: It is a matter of the proper and essential relationship between the Prime Minister and the House of Commons, and through this House of Commons with the country at large. The right hon. Lady has gravely injured this. The reason for this is the atmosphere that is spread throughout her Government and her Cabinet. That atmosphere helps to determine the way decisions are made. It is a strange atmosphere. It is an atmosphere where, to take a practical example, the right hon. Members for Cambridgeshire, South-East (Mr. Pym), for Chelmsford (Mr. St. John-Stevas), for Chesham and Amersham (Sir I. Gilmour) and for Waveney (Mr. Prior) and other hon. and right hon. Gentlemen are choked and stifled.

The other day, the chairman of the Conservative Party gave his advice on this matter; he has been brought forward to purify the atmosphere. Nothing like this would have happened had he been here—he would have eaten the two ex-Cabinet Ministers for breakfast to satisfy his appetite for lowering the standard of politics.

The reason why the Prime Minister is quite prepared to apply one rule of confidentiality to one lot and another rule of confidentiality to another lot—even though it includes her own Law Officers—is because she works on the principle, “Is he one of us?” She operates with those who are “one of us” and that is the way that this Government has been run and this country has been debased.

Mr. Robert Atkins (South Ribble): Absolute humbug.

Mr. Foot: I heard the Prime Minister yesterday, as others did. The right hon. Lady talked of the time when she would depart. When she departs—I would prefer it of course if the decision was made by this House or the country, as it eventually will be made—what will be written on the right hon. Lady’s heart, but the shabby prevarications and the collective deceptions of these past few weeks?

5.2 pm

Sir Peter Hordern (Horsham): I do not think that I have ever heard three more miserable speeches from the Opposition on a major occasion such as this. During the speech of the right hon. Gentleman the Member for Islwyn (Mr. Kinnock) one could notice the dismay of his supporters at the performance that he gave.

I never thought that the right hon. Member for Blaenau Gwent (Mr. Foot) would sound like a pedantic lawyer.

The right hon. Member for Plymouth, Devonport (Dr. Owen) said on television yesterday that my right hon. Friend the Prime Minister had lied, but now, having heard the full explanation, he is forced to say that she did not attend sufficiently to detail with her customary diligence.

What a climb down that is. It is a though 300 people had turned up for a works’ outing to the circus, only to find that the circus had moved on to the next town.

The truth is that this whole affair has been an enormous fuss about very little. There should never have been the excitement that has been generated, and I hope that excitement will die down. I am sure it will.

The sad thing is that two of my right hon. Friends for whom I have a high regard are no longer in the Cabinet. I much regret that my right hon. Friend the Member for Henley (Mr. Heseltine) is no longer in the Cabinet, especially after the performance that he gave today. I also especially regret that my right hon. and learned Friend the Member for Richmond, Yorks (Mr. Brittan) is no longer in the Cabinet. Although I do not know him well, I think he is one of the most brilliant members of our party; and I hope and trust that it will not be long before he is returned to high office. I do not think that he has every gift in politics. It must be said that he is somewhat deficient in the art—perhaps it should be described as the craft—of political skulduggery. Launching my right hon. Friend the Member for Wanstead and Woodford (Mr. Jenkin) as a missile, at one stage in this business, to appear on the Robin Day programme was not an ideal choice for that occasion.

I hope that the Opposition are not trying to pretend that leaks are solely the property of this Government. Nobody leaked as much as the previous Labour Government. On one occasion, according to Mrs. Castle, Lord Wilson—who constantly complained about the number of leaks occurring—was told by Tony Crosland:

“But I must point out that there is evidence that these leaks are coming from the most senior members of the Cabinet.” The criticism of the right hon. Member for Birmingham, Sparkbrook (Mr. Hattersley) is especially rich, as Mrs. Castle continues:

“Harold will not have Hattersley because he is said to have made three disloyal remarks recently. Dick and I agree that this is absurd because, although we do not think that Hattersley is a particularly nice man, we know he will make disloyal remarks about anyone, including Roy Jenkins.”

It is my no means unique for Cabinet Ministers to make disobliging remarks about each other. I only wish there were not so many people ready and willing to take these remarks down. This weekend I read that there were no fewer than 1,000 information officers in Whitehall. What do those ladies and gentleman do? I believe I am right that in the days when Lord Attlee was Prime Minister, he only had one information officer and he was placed in a dark room with no means of communication whatever. That is a system which appeals to me far more than the present one of countless information officers giving information to anyone who will listen. It breeds leaks, and eventually it breeds disrespect for the Government.

Mr. Simon Hughes (Southwark and Bermondsey): The hon. Gentleman has tried to excuse leaks. Does he or does he not agree with his hon. and learned Friend the Solicitor-General that the leak of a Law Officer’s private and confidential advice to the Government is in quite a different category and inexcusable?

Sir Peter Hordern: My position is that I am against all leaks, whether they come from the Solicitor-General’s letter or not.

Something must be done about this system of information officers and leaks. I know that successive Governments have wished to do this for a long time. It

would be worth considering placing Mr. Ingham in a somewhat different position so that he may make attributable statements on the record. This is the system in the United States where Mr. Larry Speaks is the President's spokesman. I also believe that we should look again at section 2 of the Official Secrets Act.

Mr. Harry Greenway (Ealing, North) *rose*—

Sir Peter Hordern: If my hon. Friend will forgive me, but I will be brief.

What was all this fuss about? It was about a small company the size of a moderate London hotel. We are asked to believe that Sikorsky, the vanguard of American technology, was about to destroy and take over all technology in Western Europe. That is no new charge. It is one which Servah-Shreiber made many years ago. In White papers it has been a constant theme that we ought to have more co-operation between our defence companies within Western Europe. Yet, year after year, very little is accomplished. It is true that my right hon. Friend the Member for Henley succeeded with the European fighter aircraft. However, it remains the case that there are large overlaps in guns, tanks and electronics in Western Europe.

Examination of Government expenditure on research and development reveals how much goes on defence rather than on other forms of science and technology. Bearing in mind the orders that are placed, we must ask whether defence expenditure is geared too much to help defence contractors, such as Marconi and Aerospatiale, and sometimes to great waste. I need remind the House only of Nimrod in that context. It resulted in vast overexpenditure compared with the original proposals.

However, it must be the first duty of any Secretary of State for Defence to buy the best equipment for our forces. In many cases, such equipment is American. If we concentrate our purchasing power more on Western European firms, we must ask whether those firms have the desired capacity. Too often the Americans have the only available technology.

Westland was in great difficulty as long ago as last July. I understand that Sir John Cuckney saw my right hon. Friend the Member for Henley last September and asked for help. I believe that my right hon. Friend said that there would be no public money, and certainly not from his Department, and that Westland would have to help itself if it could, and that it might even be preferable if it went into receivership. There was not much enthusiasm last September for the European option. My right hon. Friend might have shown his enthusiasm a little earlier. If he had, we should not have got ourselves into the present trouble.

Substantial questions about Westland remain. Of course, the European option must be considered seriously, but Westland knows that two of the helicopter companies involved are loss making. Augusta's losses are larger than its turnover, which is quite an achievement. The interests of Westland workers are extremely important. They must be allowed to express a preference for the Sikorsky deal, which would give them access to wider technology and other developments. It has looked too often recently as though the efforts of the European consortium have been designed to block the Sikorsky/Fiat rescue bid.

As for Cabinet responsibility, I suppose that my right hon. Friend the Prime Minister could have sacked my right hon. Friend the Member for Henley earlier. Perhaps she

did not think that the Westland affair warranted such action, but it was clear that my right hon. Friend the Member for Henley thought that the Westland affair warranted action. I think that my right hon. Friend the Prime Minister has been far too kind. Indeed, I believe that she does not get her way nearly enough. We have a broadly-based Cabinet, and I do not think that she gets her way nearly as much as she would like.

It is right for the Cabinet to be broadly based and to take in representatives from each section of the party. I am sure that the same has been true of other Cabinets. They include the Right and Left of a party—although they are now called wet and dry. Half of the Cabinet are most charming and likeable people who are economically illiterate and the other half are economically literate. That structure explains the leaks and counter-leaks. It is no good blaming my right hon. Friend the Prime Minister for them. The issue was not important, and it is not important now. We all have very much better things to do.

It is extraordinary for the Opposition to pretend great moral indignation. The Labour party has developed leaks into an art form. Under Labour we had something more akin to waterfalls than leaks of every variety. Those who enjoy the fraternal bonds of Socialism show that they like nothing more than hating each other's guts. I am reminded of Lord Wilson's kitchen Cabinet. I miss those leaks. Where now the stories of lavender writing paper or glasses of wine thrown over the right hon. Member for Manchester, Gorton (Mr. Kaufman)?

There were not just leaks. The Labour party went in for something much worse. My right hon. Friend the Member for Henley is said to be impulsive on occasion. I remember when once he went so far as to pick up the Mace. The House might not remember what occasioned his picking up the Mace. I remember it well. It was in May 1976. The House debated the Aircraft and Shipbuilding Industries Bill, and the Labour Government lost the Division. The next Division was called and the Labour party either sent somebody through the Division Lobby twice or allowed somebody who had been paired to vote. [HON. MEMBERS: "They cheated."] I shall not go so far as to say that they cheated, as that is an unparliamentary expression, but I have described what happened. There was none of this trifling business about leaks and counter-leaks, for the Labour party went in for something much rougher.

In 1969, the Labour party thought that it might get another 30 seats by holding up the Boundary Commission recommendations. The right hon. Member for Cardiff, South and Penarth (Mr. Callaghan) laid the orders in the House—he was then Home Secretary—and tried to get his party to vote them down.

Mr. James Callaghan (Cardiff, South and Penarth): With respect, I did not try. I succeeded in getting them voted down.

Sir Peter Hordern: The right hon. Gentleman is correct. He laid the orders and got the vote. Mrs. Castle had something to say about that. That was the Attorney-General's advice at the time. The Home Secretary had merely to lay the orders, not to approve them. Mrs. Castle said:

"Everyone seemed to think this was a very ingenious solution though I am unhappy at the political morality of it. Not that I have any qualms at all about our holding up the redistribution."

So much for morality.

Sir John Biggs-Davison (Epping Forest): I am not sure that my hon. Friend is quite right. He said that the right hon. Member for Cardiff, South and Penarth (Mr. Callaghan) held up the recommendations. The right hon. Gentleman was selective; he did not hold them all up.

Sir Peter Hordern: I am sure that that is right.

Mr. James Wallace (Orkney and Shetland): On a point of Order, Mr. Speaker. Is it in order to debate the Boundary Commission's recommendations for 1969 during a debate on Westland plc?

Mr. Speaker: The hon. Gentleman knows that this is a debate on the Adjournment. There is however a specific definite subject and I think that the hon. Member for Horsham (Sir P. Hordern) is making a comparison.

Sir Peter Hordern: The Opposition do not have a leg to stand on. It beats me how they can have the nerve to come here and preach to us about morality. There are great issues to be dealt with. The price of oil is falling, there is strain on sterling, the level of unemployment is serious and the teachers' dispute continues. The Opposition have a heaven-sent opportunity to conceal the divisions in their ranks. I do not believe that people are such fools as to think other than that this petty, ridiculous issue has had a long enough run. It is time to get back to the serious business of running the country.

5.19 pm

Mr. Nigel Spearing (Newham, South): This debate might be called, "No, Prime Minister", because it is about the relationship between those who hold high office and those who act on their behalf. On occasions, we are very amused by the scene of servants becoming the master.

I have had some previous experience of the mind of the Prime Minister, and I pray in aid two examples. The first concerns a statement made by her Government on 23 April 1982. It was for international consumption and was not given to this House or put in the Library until three weeks later. Reference is made to that in paragraph 3.28 of House of Commons paper 11/84.

The second example relates to a question that I put to the Prime Minister on 17 July 1984—column 168 of *Hansard*—about the implementation of the Education Act 1944. Subsequent correspondence is in the Library, to which hon. Members can refer.

The question today is who gave authority for the release of the selected parts of the text of this important letter. Last Thursday, the House heard with enormous surprise—perhaps oiled by previous revelations in the press—that it was the former Secretary of State for Trade and Industry himself who gave that permission. He is a lawyer, as we were reminded earlier today, and he gave permission to reveal in public the confidential advice of a Law Officer of the Crown. We now want to know whether the Prime Minister absolutely, tacitly or in effect shared in that decision, and we must not forget that she is also a lawyer.

The phrase "cover from No. 10" has been used, and in last Thursday's debate I asked the right hon. Lady specifically in column 459 of *Hansard* to whom Mr. Ingham was accountable and who decided his standing orders. Instead of saying what almost everyone would have expected her to say—indeed, the nation might have expected her to say—the Prime Minister did not

say, "To me." She talked about something that gave a clue to what was in her mind, which I shall not repeat now, but she did not admit that accountability.

I found that extremely strange, and perhaps this can be dealt with in the wind-up. On that very day, the Prime Minister had used the phrase "cover from No. 10". We all have people who help us—people to whom we give standing instructions, such as, "If they ring, tell them this," or, "If they ask that, refer them to me." Such instructions are very clear, but in this instance, when the Prime Minister's office was approached by the DTI, her officials were either so sure of what was in her mind that they could give clearance, or they vastly exceeded the authority that she had given them. It cannot be anything else—it must be either one or the other.

The Prime Minister has not claimed today that they exceeded their authority, but she said that they did not consult her on that day. That suggests the other possibility, that they knew what her mind was on some previous day, and the Prime Minister has also told us today that, on the Saturday, there had been a lot of discussion in No. 10 about these letters. That opens up the possibility that the officials acted on her authority, having known from a previous occasion precisely what the Prime Minister had in mind.

The Prime Minister also told us today that there had been a misunderstanding. I am confused, because last Thursday she made it absolutely clear—crystal clear, as Mr. Brian Walden might say—when she said:

"My office were accordingly approached. They did not seek my agreement: they considered—and they were right—that I should agree with my right hon. Friend the Secretary of State for Trade and Industry that the fact that the then Defence Secretary's letter of 3 January was thought by the Solicitor-General to contain material inaccuracies which needed to be corrected should become public knowledge". — [*Official Report*, 23 January 1986; Vol. 90, c. 450.]

Therefore, on Thursday, the Prime Minister told us that she would have agreed, and she concurred with the cover that was given by her office, whereas today as I understand it—it was not easy to follow—she said that there had been some misunderstanding and that cover was not given.

Sir John Page (Hull, West): Will the hon. Gentleman give way?

Mr. Spearing: I am sorry, but I cannot give way.

Sir John Page: Why not?

Mr. Spearing: The answer can come from the civil servants' Box. The hon. Gentleman is not entitled to intervene.

These anomalies must be cleared up, because the authority clearly given by the former Secretary of State for Trade and Industry was, according to the Prime Minister on Thursday, accepted, and the right hon. and learned Gentleman lost the confidence of his colleagues as that was known to be true. The House wants to know—we have heard nothing at all to the contrary—whether the Prime Minister, by implication of her office, was also involved clearly and explicitly with that decision. In nothing she has said today has she in any way dissociated herself from it. In fact, the additional evidence relating to the implication of her office on the Saturday brings her closer to it rather than separating her from it.

When they vote tonight and think of the call for loyalty, Conservative Members should ask themselves, "Loyalty to what?" Is it loyalty to a person, to the party or to the

supremacy of Parliament? I suggest that their loyalty to the Government is at least two vastly exceeds any loyalty they have left to the former.

5.28 pm

Mr. Leon Brittan (Richmond, Yorks): The House will know why I came to the conclusion that I should no longer remain a member of the Cabinet. I want to place on record my appreciation of what a privilege it has been to serve in the Government of my right hon. Friend the Prime Minister. The unhappy circumstances of the last few weeks will not detract from their achievements. I shall support the Government's policies as strongly outside the Cabinet as I have within it.

My right hon. Friend the Prime Minister has set out the facts relating to what has been called the "Westland saga", and particularly the circumstances relating to the disclosure of information contained in a letter of my hon. and learned Friend the Solicitor-General. She has done so in great detail. Some of the facts only she can know about whereas in other events I myself was closely involved. I can and do confirm that with regard to the facts within my knowledge, the account of my right hon. Friend the Prime Minister is correct.

As my right hon. Friend said in her statement to the House last Thursday, I made it clear to my officials at the Department of Trade and Industry that—subject to the agreement of No. 10—I was giving authority for the disclosure of the Solicitor-General's letter to be made. I therefore accept full responsibility for the fact and the form of that disclosure.

The House knows of the extraordinary, perhaps unprecedented, circumstances in which we were working—the circumstances of the persistent campaigning of my right hon. Friend the former Secretary of State for Defence and the urgency of the need to ensure that the contents of the Solicitor-General's letter should become known. But for all that, and in retrospect, I must make it clear to the House that I accept that the disclosure of that information—urgent and important as it was—should not have taken place in that way, and I profoundly regret that it happened.

I must also make it clear that at all times the Department of Trade and Industry officials acted in accordance with my wishes and instructions. What they did was with my full authority. They are not to be blamed. Indeed, they gave me good and loyal service throughout my time as Secretary of State for Trade and Industry.

There is one further point—and one further point only—that I would make. I remain firmly of the view that the Government's agreed policy of letting the board and shareholders of Westland make up their minds about the company's future without political pressure was and is right. Let us hope that now—

Mr. Alex Carlile (Montgomery): Will the right hon. and learned Gentleman give way?

Hon. Members: No.

Mr. Brittan: Let us hope that the future of the company can now be decided in that way.

5.29 pm

Mr. Merlyn Rees (Morley and Leeds, South): The right hon. and learned Member for Richmond, Yorks (Mr. Brittan), the former Secretary of State for Trade and Industry, resigned because of his responsibility for the

disclosure to the Press Association of legal advice in a letter supplied by the Solicitor-General. He was right to do so. His resignation is honourable, but he should have resigned earlier. However, it was not only the Secretary of State who was involved in that disclosure, which is the major reason for the anxiety about the happenings of the past four weeks. The Prime Minister was also involved.

For four weeks we have been trying to get information from the Government in a variety of ways, including today's Standing Order No. 10. We have received some information from the Government, but it has taken a long time. We have not yet got it all, and, unless we get more this evening, the matter will continue.

I wish to raise two issues. The first relates to the role of the Law Officers, and the second to the private office. I disagree with the right hon. Member for Plymouth, Devonport (Dr. Owen) that civil servants in the private office should resign, and I shall argue that case shortly.

I first realised the peculiar nature of Law Officers during the Franks inquiry of 1972, so by the time I became a Minister I was not surprised by the way that they operated. It should not have surprised the former Secretary of State for Trade and Industry, who has one great advantage over me—he is a lawyer. Indeed, it is said, properly, that he has aspirations in the political sphere, and so he should. It is an honourable task and peculiar to this country.

The Franks report states:

"The Attorney-General administers the criminal law in the interests of the community as a whole, and he must disregard the interests of his party, and those of the Government as such." The Solicitor-General and Attorney-General have done that consistently throughout the Westland affair. I do not seek to get at them. I am mentioning their role for other purposes.

Not only is the role of Law Officers different from other Government activities. Last week, it was drawn to my notice that if the Government were to fall next week, all the information in the documents, papers and Cabinet sub-committees would not be made available to the succeeding Government, but the Law Officers' information would. It is unto itself, and above politics. I do not understand how the Prime Minister and the former Secretary of State for Trade and Industry, knowing that, could use the advice given by the Solicitor-General on that Saturday and then on Monday as they did. That is one of the most important issues to emerge during the past month.

Mr. William Cash (Stafford): Does the right hon. Gentleman agree that if there were material inaccuracies in correspondence, they should emerge?

Mr. Rees: Of course they should, but there should be a public statement. The inaccuracies should not have emerged in that way. That is the whole point of our argument.

I shall remind the House of what happened. The Government made a decision within one and a half hours. They moved more quickly than my right hon. Friend the Member for Blaenau Gwent (Mr. Foot) and his Cabinet did on such issues. The Government knew what to do within one and a half hours. I bet that the matter had been discussed before, and that the civil servants knew what was in the minds of their lords and masters; otherwise, they would not have acted as they did. One does not leak a little bit of a letter to an honourable member of the press. I am coming to the conclusion that the Government were

[Mr. Rees]

not interested in informing Sir John Cuckney. As far as I know, he never found out. Apparently, he said that he did not find out. I am told that he thought that it was politicians playing games.

Mr. John Wilkinson (Ruislip-Northwood): Is not the importance of the matter the fact that in the part of the letter that was not released, but which was communicated to the then Secretary of State for Defence, our posts in Europe were reporting a different view about the future potential for Westland collaboration in European projects from that which was being purveyed by the then Secretary of State for Defence in his open communication to the chairman of Lloyds merchant bank, which was acting for the European consortium?

Mr. Rees: That may be, but the Government must deal with that through their machinery. The letter should not have been leaked in the way that it was. The way in which the letter was leaked is important. During the past month the Law Officers' method of operating has been compromised by the Government.

Mr. Wilkinson: In the extraordinary circumstances that prevailed, would it not have been appropriate to draw attention to what are normally classified messages coming from abroad? Was not the important fact that the former Secretary of State for Defence was being misleading?

Mr. Michael Mates (Hampshire, East): He was not.

Mr. Wilkinson: Does the right hon. Gentleman agree that that was the point that had to be got across quickly?

Mr. Rees: It was up to the Government how they handled that. I am worried about the way in which the Government dealt with advice from the Law Officers. They dealt with it badly, and both the Prime Minister and the former Secretary of State for Trade and Industry were implicated in that.

I wonder when the Solicitor-General knew of the leak. Eventually, the Prime Minister set up a leak inquiry, which has two stages. First, the Cabinet Secretary is asked to set up a leak inquiry, which is carried out within a Department through the permanent under-secretary concerned. If the inquiry comes within the provisions of section 2 of the Official Secrets Act, the matter goes to the police. This matter never went to the police. Did the Solicitor-General know, when he and the Attorney-General asked for the leak inquiry to be set up, that the others involved knew that they had authorised the leak? The Law Officers would not have asked for an inquiry if they had known who had authorised the leak.

It was a charade, brought about because of the demands in the House for an inquiry. The Prime Minister could have stopped it. She could have come to the House and said, "I have to tell the House that on Monday we made a mistake. There is no need for an inquiry. We authorised the leak." That is what worries me most about what has been happening. I have already said that the Prime Minister's office knew, if not directly, what the Prime Minister and her Ministers wanted. The Cabinet Office staff are loyal and of a high calibre. They may have been high fliers, but inexperienced in the way of politics. In my view, this should not be a matter for disciplining those people. Whether they come from the diplomatic service, the Treasury or wherever, I believe that they acted with

the connivance of the Prime Minister. It is not good enough to expect civil servants to act as fall guys. To some extent, during the past week, the former Secretary of State for Trade and Industry has acted honourably in following that premise.

Other allegations are being made and more allegations will be made in the weeks ahead. They will not go away. It is being alleged—I mention this now so that the Leader of the House can deny it—that not only was the Solicitor-General's letter leaked, but that the Prime Minister's office subsequently, because it was told to do so, acted in a peremptory and cavalier way by contacting the Law Officers and asking them if there was a way of pushing all this under the carpet.

The Solicitor-General (Sir Patrick Mayhew): I am grateful to the right hon. Gentleman for giving way. He will not be surprised that I require him to do so. The allegation is not true.

Mr. Rees: I accept that immediately. It is better that I should raise the matter on the Floor of the House than that the story should fester in the papers.

The Solicitor-General is an honourable man. The only complaint of the Law Officers was the way in which the Solicitor-General's letter was dealt with. I am sure that the Solicitor-General would have corrected me if that were not the case.

Mr. Bell: The question for the Solicitor-General is not only why the inquiry was held, but why immunity from prosecution was given to a specific person before the event. Why was the Cabinet Secretary given authority to grant immunity from prosecution to those who assisted in the inquiry?

Mr. Rees: What was the point of getting at the civil servants when it had been discovered that Ministers had authorised the leak?

The hon. Member for Horsham (Sir P. Hordern) referred to the press office. It is time that we considered the way in which the press office at No. 10 carries on. It has become more important than Prime Ministers themselves, with morning briefings and the releasing of innuendo. It is time that some other method was found, even if that involved another Minister to work with the Prime Minister and to look after the press office. That occurs in other Departments. In the Home Office, someone looks after police information and produces documents and press statements. However, I am concerned about the political side, which is mainly at No. 10.

The Westland episode has gone well beyond the problem of a small company. It is not only a matter of morality or integrity. When I read about the way in which the Cabinet had carried on, I had a good look at the Franks inquiry report on the Falklands war. The last paragraph, which I willingly signed, states that it was not the Government's fault. Paragraph 339 states:

"Against this background we have pointed out in this Chapter where different decisions might have been taken, where fuller consideration of alternative courses of action might, in our opinion, have been advantageous, and where the machinery of Government could have been better used."

I have heard this story unfold and nothing has changed. The only difference is that there will be no war to wipe out that paragraph.

Several Hon. Members *rose*—

Mr. Speaker: It may assist the House if I say that the Front Bench spokesmen will seek to rise at 6.5 pm. I ask for brief contributions. In fairness, I must respect the rights of Back-Bench Members as well as those of Privy Councillors.

5.45 pm

Mr. Michael Mates (Hampshire, East): With the right hon. Member for Ebbw Vale (Mr. Foot), I believe that it is impossible not to feel a slight twinge of sympathy for the Leader of the Opposition this afternoon. He had to address the House without knowing the story that my right hon. Friend the Prime Minister would tell. He had nothing much to say, except to repeat the questions that have been asked in the Sunday newspapers, which he did. He then tried to give a lecture on responsibility, but at that moment he lost the attention of the House to the extent that you, Mr. Speaker, had to plead with us to listen. It is rather difficult for us to listen to a lecture on responsibility from someone who has never held it; and to hear from the Leader of the Opposition how the Government have failed in their responsibility when he has yet to exercise authority of any sort was more than we could take.

That task might have been difficult for the Leader of the Opposition, but the leader of the Social Democratic party was under no such disadvantage. His position requires no sympathy, because by the time he made his speech, my right hon. Friend the Prime Minister had answered all the questions. She told us the full, unfortunate regrettable story with an honesty and candour that all of us received with great relief and sympathy because it is not easy for the leader of a Government to have to say that some things happened that should not have done. Instead of the right hon. Member for Plymouth, Devonport, (Dr. Owen) having the decency to say, "Now that we have heard the story—although it is not a good story—we will accept it", he got on his moral high horse and lectured us about the honesty and decency of office.

I would prefer to say this to the right hon. Gentleman's face, but he is probably appearing on television at the moment. He was a member of a Government who were hardly the model of Cabinet collective responsibility. He took the decision about Chevaline. He reached high office and, unlike the Leader of the Opposition, he knows what is involved in it. He knew that that decision had been taken and that it had been kept from all but a select few. The right hon. Member for Chesterfield (Mr. Benn) might have a word or two to say about that. He sat in that Cabinet for five years yet he did not know that his colleagues had taken that decision. The right hon. Member for Devonport dared to lecture us about open government and about the way in which we conduct government. We need no lessons in morality from him.

Mr. Robert Adley (Christchurch): Is my hon. Friend aware that, on television, the right hon. Member for Plymouth, Devonport (Dr. Owen) lectured us about patronage? When I asked him if he could name the relationship of the Prime Minister of the day with the man that he had appointed as ambassador to Washington, the right hon. Gentleman walked out of the studio.

Mr. Mates: My hon. Friend relates an interesting tale.

We are 45 minutes away from the end of what has been a sad incident in the Government's life, but it is only an incident. What we have heard today from the Prime

Minister, my right hon. Friend the Member for Henley (Mr. Heseltine) and last, but not least, from my right hon. and learned Friend the Member for Richmond, Yorks (Mr. Brittan) has shown that at least if we made mistakes we are prepared to admit them—[*Interruption.*] I have no doubt that most Opposition Members find that funny, because a little modesty and honesty would come ill from their lips.

Things have gone wrong in this affair, and no one denies it. From the outset, because I happened to be involved in the issue, I said that this was the row that should never have happened. What has been said by the Prime Minister and by the two former Secretaries of State vindicates that statement. It is most unfortunate that it became a personal battle of wills, and we have all suffered as a result of it. But it is equally clear that, now that all of them have been as open, frank and honest as they have been today, we can put this affair behind us. It is just a minor incident when one thinks of the great matters that this Government have decided and must decide in the future.

I know that I speak for every Conservative Member when I say to the Prime Minister that, having cleared this matter, she should get on with more important issues, not least a consideration of the way in which we now discuss what happens to Westland. As she reminded us in her speech today, that has not gone away. I hope that we can define the national interest in this matter without interfering with the rights of the shareholders and the board to make up their minds at the end of the day. There is a national interest in the matter and it is for us to try to define it because, after all, that is the job of Government. I hope that the Select Committee on Defence, which is considering the matter, will take evidence from all parts of industry and politics to try to come to a united conclusion as to where that national interest lies.

It is always unfortunate when mistakes are made. It is always best to come clean about them. My right hon. Friend has done that in full measure today. The Government may have suffered because of what has happened during the past two or three weeks, but it is a temporary setback. We must pick ourselves up and dust ourselves down, because there is a job to be done. I know that we shall be united behind our Cabinet in doing that job.

5.52 pm

Mr. Tony Benn (Chesterfield): No one will know what happened until the memoirs are written, but Bernard Ingham was my press officer for some time and I know a little bit about him. He is a very tough customer, but he would never dare to agree to betray a Cabinet Minister without the authority of the Prime Minister. I do not believe for one moment the account given by the Prime Minister that Bernard Ingham and Mr. Powell assented to the wishes of the Secretary of State for Trade and Industry—[*Interruption.*] I do not believe for one moment the account that has been given. What happened was that the Prime Minister used some powerful words—"who will rid me of this turbulent priest?"—and the rest was done by the civil servants to rid her of the Secretary of State for Defence.

I have found it hard to believe the Prime Minister since my hon. Friend the Member for Linlithgow (Mr. Dalyell) raised the Belgrano question, so today is not the first time that doubts about her trustworthiness have crossed my

[Mr. Tony Benn]

mind. But the debate will be wasted if we do not understand the lessons that may be drawn from it. First, why did the Government lose two senior Cabinet Ministers over this matter? We are at least entitled to know that. The answer is that when Westland got into difficulty, in pursuit of their policy of non-intervention, the Government said, "We do not care what happens to Westland." They said the same about the steel, mining and manufacturing industries, so there was no surprise about it.

However—this is why the matter became a central political question—the vultures from Washington and Brussels moved in. As Minister with responsibility for aviation, I used to deal with Westland and I know of its long link with Sikorsky.

Sikorsky wanted to use Westland to expand its arms sales in Europe. The Prime Minister could not ignore that view because she was close to President Reagan and she wanted contracts for star wars. However—this is why it is a big issue, not a little issue—there is a growing feeling among western European industrialists that American domination must end. Therefore, the Prime Minister tried to withdraw from a major international industrial matter by pretending that the decision should be left to the shareholders. Of course, her idea of democracy is to hold ballots to elect trade union executives, but if employees want to ensure their future employment, they must buy their votes and become shareholders. We saw the disgusting slave market of the Albert Hall, with people such as Mr. Bristow and Lord Hanson buying shares to trade the future of Westland workers. So much for the workers at Westland having any rights.

The matter became more complicated because one Minister supported the American bid and another supported the European bid. The Prime Minister deliberately used the mechanisms open only to a Prime Minister, first, to encourage legal advice and, secondly, to release that advice to destroy the Secretary of State for Defence, who left the Government. Thereafter, she had to sacrifice her Secretary of State for Trade and Industry by saying that he, alone among Ministers, had authorised the leak. That is what happened. That is what people outside know to have happened. It was not simply a matter of who telephoned whom on what occasion. This was, and still is, a major industrial conflict between Europe and the United States, with Ministers taking different sides and the Prime Minister using her powers, first, to undermine one Minister and, secondly, to get another Minister—very close to her—to take the blame so that he felt he had to resign.

It was good to see those two Ministers go. The former Secretary of State for Defence led the Army against the Quakers at Molesworth, so I am pleased that he has gone. The former Secretary of State for Trade and Industry, when he was responsible for the Home Department, told the police to batter the miners at Orgreave and now he has gone. The loss of those two Ministers is a plus, and it must have delighted the National Union of Mineworkers and the Campaign for Nuclear Disarmament.

However, the House must discuss other matters. The first is the Official Secrets Act. Some months ago, Sarah Tisdale, from a sense of principle, released to *The Guardian*, which did not protect her—it might be remembered that Bernard Ingham came from *The Guardian*—details of something that had happened, and

she was put in prison for six months. No doubt the Prime Minister, who believes in law and order, endorsed that sentence. Clive Ponting of the Ministry of Defence was charged under the Official Secrets Act. Yet the Prime Minister retrospectively authorised—today she takes responsibility for what she pretends she did not know—a leak to undermine a colleague. There is no doubt that the purpose of the leak was to undermine the Secretary of State for Defence. That is her idea of law and order and official secrecy.

What she should have done, if the Minister had made a mistake, was to issue a public statement saying, "We have reconsidered the letter from the Secretary of State for Defence, and in some respects we believe it to be in error." She could have sent it with a motor cycle messenger to the place where the shareholders were meeting—it has been done previously—so that the shareholders would know the position. But she chose to do something different.

The incident also throws light on the lobby system and all those people sitting there in the Press Gallery—[Interruption.] If I am not allowed to refer to them, Mr. Speaker, that is another absurdity added to many. There are people in this Palace who go twice a day to No. 10 and get from Bernard Ingham an account of what the Prime Minister wants them to know about Government business. Then people appear on television saying, "Our political correspondent understands", but they never tell us from where the information comes. They do not understand it. That is because they got it 10 minutes before from Bernard Ingham on the instructions of the Prime Minister.

When the briefing gets a bit touchy they appear on television or write in the papers about a grave constitutional crisis. The lobby correspondents are involved in secret arrangements with Ministers of all parties. I hope I will not be accused of being a leaker when I say publicly what has to be said. I do not leak through the Lobby. That is a vicious system, because it creates a sort of cosy conspiracy between Ministers, Shadow Ministers, civil servants and the lobby correspondents.

The third thing that the Prime Minister did was to blow up the questions of procedure that she sent to her own Ministers in 1979. I have a copy sent to me by my right hon. Friend the Member for Cardiff, South and Penarth (Mr. Callaghan) in 1976. The procedure is identical from year to year. It says about consultation with the Law Officers, in paragraph 25:

"It is essential that Law Officers should be consulted in good time before the Government are committed to critical decisions involving legal considerations. The categories of cases in which it would normally be appropriate to consult the Law Officers include the following:

- (1). Cases in which the legal consequences of intended action by Government might have important repercussions either in the foreign or the domestic field."

The classic case for consulting the Law Officers is contained in that paragraph. Paragraph 23 of these instructions to Ministers reads,

"It is important to avoid giving any indication of the manner in which the Minister has consulted his colleagues before any decision is announced."

The Prime Minister broke her own rules. [Interruption.] My right hon. Friend says they are his rules, but they disappeared along with him and the Prime Minister issued her own. As the Cabinet Secretary was my right hon. Friend's Cabinet Secretary or Lord Wilson's Cabinet Secretary, the same rules apply. The main reason we are debating this is, first, because it is a major constitutional

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question. Because of the Official Secrets Act and the way which the right hon. Lady treated her Cabinet but because the Government misled Parliament and the public we have had to have this debate. We are told that parliamentary democracy is what we uphold but we cannot have parliamentary democracy if Ministers do not tell the House of Commons what is happening and have to be hauled up under Standing Order No. 10.

This is an important debate. It goes well beyond whether the Prime Minister talked to Bernard Ingham, which I am sure she did. I know that other people who know Bernard Ingham will agree that he would not have so acted if he had not had the clearest instructions so to do. The debate is important because of Westland and all the other matters. The Prime Minister must be wondering why what she sees as such a small issue should have been exploded to the point where it appears to the minds of some correspondents to threaten the premiership.

The reason is that "Thatcherism", which the right hon. Lady created and believes in, was a myth. People are asking whether that myth is capable of leading the Conservative party to victory at the next election. The Conservative party is looking for a new leader. Members on the Government side will go into the Lobby tonight and the resigned Secretaries of State will be rubbing shoulders with the Prime Minister. The reality of the matter is that they are looking for a new—[*Interruption.*]
—leader.

Mr. Speaker: Order.

Mr. Benn: If British politics moves sharply to the Right, the right hon. Member for Plymouth, Devonport (Dr. Owen) would be the obvious candidate. This style of Government, the approach to industry that says it does not matter whether our helicopter company continues any more than it matters whether we have a steel industry or an engineering industry, combined with a contempt for Cabinet government, parliamentary government and truth, has brought the Prime Minister to the point where her days are numbered. If the Conservative party does not deal with the matter, the electorate will put my right hon. Friends in charge.

6.5 pm

Sir Ian Percival (Southport): That is one of the most disgraceful speeches that I have ever heard, even from the right hon. Member for Chesterfield (Mr. Benn). In addition, the right hon. Gentleman has spoken for so long, despite your injunction, Mr. Speaker, that I have had to cast aside a point a minute and shall confine myself to two aspects about which I must say a word.

This House must deplore and condemn the cowardly attempts that have been made to implicate the Solicitor-General in any—[*Interruption.*] I was glad that the right hon. Gentleman ultimately accepted the assurance given to him, and I hope that other hon. Members will do the same. The House must realise how fiercely proud of our impartiality are all of us who have held that great office, and how important that is to the life of our Parliament. There is not the least trace of impropriety or breach of those standards by the present holder of that office.

We have heard from the Leader and the deputy Leader of the Opposition a torrent of cant and hypocrisy only marginally less nauseating was the contribution on behalf of the Alliance. But it was all counter-productive because what must now be as clear as a pikestaff is that my right

hon. Friend the Prime Minister stands head and shoulders above all of her critics in courage, loyalty and integrity. If those critics believe that in this way they are going to drive her and us out of office, they have sadly misjudged the lady, her Back-Bench supporters and the great majority of people in the country.

Now can we not get on with the job? Speaking both for myself and for all those who would have liked to have the chance to say it in this debate, may I say to the Prime Minister, "Thank you for your courage, loyalty and integrity with which you set the lead for us all." [*Interruption.*] Of course, the Opposition do not like to hear that. With that lead, we can and we will beat not only the Opposition but the other, and real, problems that beset the country we love.

6.7 pm

Mr. John Smith (Monklands, East): The word will be going out from those who conduct press affairs for the Government that matters have been answered and cleared up today, and that the House of Commons and the British public can put this matter safely behind them in the confident reassurance that, perhaps at long last, the Prime Minister has come clean with the House and with the public. Let us examine what the Prime Minister told us today. It was not a great deal. First of all, she told us that the first she discovered of the Secretary of State for Trade and Industry's behaviour in the matter was at the end of the inquiry. Secondly, she told us that some hours after the leak she was told in general terms of her office's involvement. Thirdly, she told us how the inquiry came to be instituted.

I cannot see how the addition of these small pieces of information, interesting though they are, changes the situation from last Thursday, when the Prime Minister was floundering in her inability to answer these questions. Now, suddenly, we are told that it has all been cleared up. It has not all been cleared up and the question that will be asked again and again is a very simple one. It is: before the Prime Minister decided to institute the bogus inquiry into the leak—bogus is what we now know it was—did she know about any of the involvement of her Ministers and her officials?

I have to concede that we have received a partial answer to one leg of that question, because she said that she did not know about the involvement of the Secretary of State for Trade and Industry. That is a little curious because he says and the Prime Minister said when she made a statement about this matter the other day, that he telephoned her or caused his officials to communicate with No. 10 on the basis, that, subject to the agreement of No. 10, certain action was to be taken. It is odd that that was there and signalled from the beginning apparently, yet the Prime Minister says that she did not know of his involvement until after this laborious inquiry had been completed.

But let that matter stand. What we do not know is whether the right hon. Lady knew from her officials of their involvement in the leak before the setting up of the inquiry. That question simply has not been answered. It will be asked, and it will be asked, and it will be asked again until it is answered. The question is not an idle one. It is not one of a small matter of the mismanagement of government; an unfortunate leak, a slip, something that arose out of an unfortunate, but genuine, misunderstanding, as we are told.

[Mr. John Smith]

Let me remind the House what the Solicitor-General wrote to the former Secretary of State for Defence in the letter which has become available only today, having been declassified and put in the Library before the debate started. In the penultimate paragraph, the Solicitor-General, writing to the former Secretary of State for Defence the day after the leak occurred, said:

"On a different aspect of this matter. I want to express my dismay that a letter containing confidential legal advice from a Law Officer to one of his colleagues should have been leaked, and apparently leaked moreover in a highly selective way. Quite apart from the breach of confidentiality that is involved, the rule is very clearly established that even the fact that the Law Officers have tendered advice in a particular case may not be disclosed without their consent, let alone the content of such advice. It is plain that in this instance this important rule was immediately and flagrantly violated."

So let us get to the situation on 7 January, when the Solicitor-General knows that a flagrant violation has occurred. This is the time when the Prime Minister has been told in general terms of her office's involvement. She certainly must have known that there was a leak. It was on the front page of *The Times*, *The Sun*, *the Daily Mail* and I think that it got into the *Standard* on that very day. In lurid headlines, the *Daily Mail* says:

"The great Cabinet shambles. Open war as Ministers attack Heseltine".

The Times said:

"Heseltine told by law chief: Stick to the facts".

The article goes on in that vein. *The Sun*, true to form, had a simple headline:

"You liar".

That was all happening on 7 January.

The Solicitor-General tells us that it is quite clear that a flagrant violation has occurred. I assume that the Prime Minister knew of the rule about Law Officers. But what was her reaction to that? Did she have people in and say, "A flagrant violation has occurred. I am not putting up with it in this Government which I run and I want to find out what went on."?

Nothing happened from the Prime Minister until the Attorney-General stirred himself, realising that a flagrant violation had occurred. He did not go to the Prime Minister apparently, which is very strange, but to the head of the Civil Service. Perhaps he thought that he would get a more sympathetic response there than going to the Prime Minister, and be able to get his complaint out before he received his letter of dismissal perhaps. However, he goes to the head of the Civil Service and within minutes the Prime Minister—three days later—on 10 January says, "I readily admit that I gave my authority for an inquiry to commence." The question must be: Why did it take the Attorney-General and the head of the Civil Service to remind the Prime Minister of her constitutional responsibility? Why did she remain inactive? That is charge number one.

Charge number two is: is it really true that the Prime Minister knew nothing about the activities of her civil servants in No. 10? In that regard, Mr. Speaker, let me remind you of something which happened this very afternoon. My hon. Friend the Member for Linlithgow (Mr. Dalyell) rose in his place and put a question to the Prime Minister. He referred to a question at column 455 of *Hansard* of 23 January put by the chairman of the 1922 Committee, the hon. Member for Woking, (Mr. Onslow),

to the Prime Minister. I hope that the House will forgive me if I quote the question and answer, because it is of profound importance.

The hon. Gentleman said:

"My right hon. Friend will be aware that many right hon. and hon. Members on the Opposition Benches, like the right hon. Member for Plymouth, Devonport (Dr. Owen), are not really interested in listening to the facts of the full account given by my right hon. Friend. What view does my right hon. Friend think that the House might have taken of any Minister in any Government placed in such an invidious situation by the action of a colleague who had failed in his duty to ensure that correct information was made public as soon as possible?"

That is clearly referring to the conveying of the information suggesting that it was necessary for a Minister to make sure that that information was communicated. There can hardly be any doubt about that. Nor was there any doubt apparently in the Prime Minister's mind as to the meaning of the question, because she replied:

Yes, Mr. Speaker, it would have been much easier, as the facts were commercially sensitive, if the relevant letters had been cleared as mine was with the Solicitor-General. It was vital to have accurate information in the public domain because we knew that judgments might be founded upon that and that the Government could be liable if wrong judgments were made as a result of misleading information. It was to get that accurate information to the public domain that I gave my consent."—

[*Official Report*, 23 January 1986; Vol. 90, c. 455.]

Why did the Prime Minister tell us last Thursday that she gave her consent to the leaking of the letter into the public domain?

[HON. MEMBERS: "Answer."]

The Prime Minister: I shall gladly reply to the right hon. and learned Gentleman. I was quite content that I had given a whole account in the statement, cleared in every single detail, and the account in the statement was absolutely accurate.

Mr. Smith: I know that the Prime Minister's statement was gone over with a toothcomb. The one she read out here is full of all the weasel words such as "it became accepted as a matter of duty" and "cover" instead of "authority"—all those curious words that have been fashioned and honed after many hours of consultation to get them right.

The Prime Minister was OK when she was on the statement, but the question took her slightly outwith the range of the statement. The question could not have been clearer and she said, "I gave my consent." Today, when she was asked about it by my hon. Friend the Member for Linlithgow, we all heard her say: "When I said consent, I meant consent to the inquiry." I must say that I felt something had gone wrong there, and I immediately checked in *Hansard*. It is obvious for everyone to see that the Prime Minister did not mean that. So she either gave us the wrong answer then or a wrong answer today. Which one was it? On the record in *Hansard* the Prime Minister admits that she gave her consent to the leaking of the information. Until she publicly corrects that account and answers the particular allegation that I have made, the question will remain unanswered.

The Prime Minister: I did not give my consent to the leaking of the information. May I make that quite, quite clear?

Mr. Smith: If we are to accept the Prime Minister's statement that she did not give her consent, she was remarkably foolish to say so when she answered the question to the House. It takes me back to my days in the criminal courts. When some people gave unfortunate answers when required to do so about their activities they

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did not always get such an understanding response. "I made a mistake," said the Prime Minister. Did the Prime Minister make a mistake? That is one of the unanswered questions, and there are more.

What is worrying to people who care about good government in Britain is that this typical of this Administration. I am sorry to say that there is no surprise throughout Britain at the evasions, denials and all the wrong goings-on of recent weeks and months. There is no surprise that things should happen in this way, because the standards of good government in Britain have been steadily deteriorating under the Prime Minister and her Ministers. That is why it appears to be enough to come to the House of Commons and get cheers from the ruling party for saying that matters should have been handled in a different way. Handled? Why cannot the Prime Minister say "It was wrong. It should not have happened and I am taking steps to make sure that it does not happen again."? No, it is all a matter of handling. It is a matter of manipulation and presentation.

I hope that the time will come soon in this House of Commons when Ministers, including the Prime Minister, when asked straight questions will give honest answers; when we will have a Government in whose competence, as well as in whose integrity, we can have confidence.

The problem is this: if we accept the explanation that has been given to us, it is a sorry tale of woeful incompetence. If we cannot accept it, the whole integrity of this Administration is suspect.

This matter, I am sorry to tell the Government, simply will not go away, despite the attempts by Conservative Members, carefully planned throughout this day and carefully planned in advance, to disrupt the speech of my right hon. Friend the Leader of the Opposition. The Conservative party's tenacious defence of power is ruthless and absolute. Unfortunately for them, they have been found out and are being found out daily by the public.

6.20 pm

The Lord Privy Seal and Leader of the House of Commons (Mr. John Biffen): The knowledge that a debate is to arise on a motion for the Adjournment is frequently a matter for regret and some disparagement, but this afternoon has demonstrated that a debate on the motion for the Adjournment, shot through with passion and arguments of principle, can put the House in the best possible light.

I say that in respect of the whole range of speeches, including that by the right hon. and learned Member for Monklands, East (Mr. Smith). It is not difficult to flatter the right hon. and learned Gentleman; it is more difficult to flatter some of those sitting behind him.

The House has very properly considered the matter in the forum of this Chamber, but my hon. Friend the Member for Hampshire, East (Mr. Mates) has reminded us that departmental Select Committees are also investigating the wide range of issues that have been debated and which I have no doubt, will continue to be matters of parliamentary interest.

I want to draw the attention of my hon. Friend and of the House to three aspects of this afternoon's debate. One concerns, in a very real sense, tragedy; another is the major lesson for Parliament and for the Treasury Bench; and finally I shall draw the attention of my right hon. and hon. Friends to a dire political warning implicit in what is now being argued.

First, as far as the point of tragedy is concerned, the Leader of the Opposition and my right hon. Friend the Prime Minister have drawn attention to the continuing shadows over the future of Westland—a future which cannot be assisted by the current political difficulties and a future which we must all hope will shortly be resolved.

It is particularly in terms of tragedy that I and many of my colleagues feel deeply the loss of two colleagues over this issue—my right hon. Friend the Member for Henley (Mr. Heseltine) and my right hon. and learned Friend the Member for Richmond, Yorks (Mr. Brittan). My hon. Friend the Member for Horsham (Sir P. Hordern) paid a very warm tribute to my right hon. and learned Friend the Member for Richmond, Yorks, which I thoroughly underline. My right hon. Friend the Member for Henley has given the clearest possible indication that he returns — *[Interruption.]* — to the fray with tremendous enthusiasm. *[Interruption.]* The nervous laughter on the Opposition Benches shows how much they will be frustrated in their hope that they were to see some form of civil war within the Tory party over this matter. My right hon. Friend's speech this afternoon indicates that for the Government Benches and the Conservative party, this is no parliamentary Dunkirk, but rather a parliamentary Alamein. *[Interruption.]*

Mr. Skinner: Where are the Desert Rats?

Mr. Biffen: When I look at the hamster from Bolsover — *[Interruption.]*

I turn to the most central and serious issue of this whole unhappy business—the need for effective collective responsibility. The situation outlined by my right hon. and noble Friend Lord Whitelaw in another place on 23 January was an accurate and perceptive description of recent months. I would judge that it is the hallmark of good government that it should be defined and realistic in its ambition, but effective in its operation.

The doctrine of collective responsibility has been followed by successive Administrations, with the cumulative wisdoms that come over the ages and over the Parliaments, because of the necessity for strong and secure Government to operate within that discipline. Hence, despite what may be a certain amount of modish criticism — *[Interruption.]*. Oh, yes. If hon. Members wish to dispute what I am going to say, we shall be happy to have their dissent on record. For I want to assert that the operation of the 30-year rule and the operation of strict confidentiality applied to Government papers are integral to the operation of collective responsibility *[Interruption.]* So central has this been to good government that, when Governments have from time to time been obliged to digress from the doctrine of collective responsibility, it has been done on a formal basis and on terms where the breach was acknowledged to cover but a limited period.

I have particularly in mind—I say this for the benefit of the Opposition Benches below the Gangway—the Liberals who sat in the Government of 1932 and were allowed licensed dissent on the issue of free trade and, more within the recollection of the House, the European Community referendum arrangements of which the right hon. Member for Chesterfield (Mr. Benn) took advantage when seven Cabinet Ministers were entitled to argue their dissent within licence.

Mr. Benn: The right hon. Gentleman made a special reference to reasserting the 30-year rule—after we have

[Mr. Benn]

seen the 30-second rule applied. Is he actually laying claim to a reassertion by the Government, after what has happened, that these matters cannot be properly examined for 30 years? In particular, is he denying the right of privilege to expose them? I quoted from that procedure and laid it on the Table. It is now in the public domain, and I want that to be clear.

Mr. Biffen: The right hon. Gentleman has got his publicity. I was asserting the desirability of the 30-year rule in the light of a great deal of opposition that there now is to the effectiveness of the 30-year rule. I was saying that a 30-year rule or something very much like it is important for the maintenance of the doctrine of collective responsibility.

Finally, the informal breach of collective responsibility is that which gives rise to the greatest difficulty for contemporary Governments. No one is a better demonstration of that than the right hon. Member for Chesterfield who, in the mid-1970s, pursued a highly individualistic form of existence within a Government and, in my belief, weakened that Government, subverted loyalty to his colleagues and, on the whole, was a gift to his opponents.

As politics is or should be, at least in part, about learning from experience, I say that this Treasury Bench has learnt from the bruising experiences of the past weeks. If Opposition Members were at all wise, they would also learn.

Mr. Campbell-Savours *rose*—

Mr. John Morris (Aberavon) *rose*—

Mr. Biffen: No. I am going to proceed to the third point that I wish to make, which is a warning to my right hon. and hon. Friends about the nature of this afternoon's debate and what I believe it implies in political terms.

It has been a major political assault. It has not been an assault designed as a relentless search for truth. The disclosure of the Solicitor-General's letter, which certainly is an incident which contains errors enough, has been mentioned from the Government Benches, not least by my right hon. Friend the Prime Minister, but nonetheless it has been the subject to critical comment elevated out of all proportion. [Interruption.] My right hon. Friend the Member for Chelmsford (Mr. St. John-Stevas) properly assessed the situation in his intervention at Question Time on 23 January when he referred to "hypocrisy", "humbug" and "cant."

First, on the issue of the disclosure. The disclosure was undertaken in terms which my right hon. Friend the Prime Minister has deprecated. We all admit that we judge that matters could have gone better, but to turn this into some kind of moral crusade is simply to totally disregard what happens in the world about us.

If we want to know we need only look to the right hon. Member for Chesterfield, without whose existence this speech would be the sadder, when he wrote "Arguments for Socialism," in which he set out in a fair way the operation of disclosure. He repeated some of it for us this afternoon.

Mr. John Morris: Give way.

Hon. Members: Give way.

Mr. Speaker: Order. The Lord Privy Seal is not giving way.

Mr. Biffen: Both the Crossman and Castle diaries are textbooks of the practice, and that has been referred to again and again by my hon. Friends. [Interruption.] I can tell the right hon. and learned Member for Aberavon (Mr. Morris)—

Mr. John Morris: May I ask the Leader of the House two simple questions? Did the Prime Minister canvass her advisers or any Minister before she requested through her office the Solicitor-General to write his letter or to put that letter into the public domain? Secondly, when she set up the inquiry, did she know that it was an official leak? Did she know the salient facts?

Mr. Biffen: Those points have been dealt with by the Prime Minister. [HON. MEMBERS: "No."] The fact that they are being put again and again shows the prejudiced approach by the Opposition. It is an approach symbolised in the language of the Leader of the Opposition in his speech this afternoon, when he said that the Prime Minister was on trial. That is the language of someone whose idea of a trial in the House of Commons is the ethics of the kangaroo court.

My right hon. Friend the Prime Minister has made a reasoned exposition both in the circumstances of the Solicitor-General's letter and of the leak inquiry. It is an exposition which appeals to any fair-minded judgment in the House. We have gone through an episode implying sadness and regret. There is certainly no question whatsoever of implying any shame. The Opposition now show an opportunism possessed only by those hungry for office. Such an appetite bodes ill for the nation and I ask my hon. Friends to reject the argument and the votes of the Opposition.

*Question put, That this House do now adjourn:
The House divided:—Ayes 219, Noes 379.*

Division No. 50]

[6.34 pm

AYES

Adams, Allen (<i>Paisley N</i>)	Carlile, Alexander (<i>Montg'y</i>)
Alton, David	Cartwright, John
Archer, Rt Hon Peter	Clark, Dr David (<i>S Shields</i>)
Ashley, Rt Hon Jack	Clarke, Thomas
Ashton, Joe	Clay, Robert
Atkinson, N. (<i>Tottenham</i>)	Clelland, David Gordon
Bagier, Gordon A. T.	Clwyd, Mrs Ann
Banks, Tony (<i>Newham NW</i>)	Cocks, Rt Hon M. (<i>Bristol S.</i>)
Barnett, Guy	Cohen, Harry
Barron, Kevin	Coleman, Donald
Beckett, Mrs Margaret	Concannon, Rt Hon J. D.
Bell, Stuart	Conlan, Bernard
Benn, Rt Hon Tony	Cook, Frank (<i>Stockton North</i>)
Bennett, A. (<i>Dent'n & Red'sh</i>)	Cook, Robin F. (<i>Livingston</i>)
Birmingham, Gerald	Corbyn, Jeremy
Blair, Anthony	Cox, Thomas (<i>Tooting</i>)
Boothroyd, Miss Betty	Craigien, J. M.
Boyes, Roland	Crowther, Stan
Bray, Dr Jeremy	Cunliffe, Lawrence
Brown, Gordon (<i>D'f'mline E</i>)	Cunningham, Dr John
Brown, Hugh D. (<i>Provan</i>)	Dalyell, Tam
Brown, N. (<i>N'c'tle-u-Tyne E</i>)	Davies, Rt Hon Denzil (<i>L'lii</i>)
Brown, R. (<i>N'c'tle-u-Tyne N</i>)	Davies, Ronald (<i>Caerphilly</i>)
Brown, Ron (<i>E'burgh, Leith</i>)	Davis, Terry (<i>B'ham, H'ge H'I</i>)
Bruce, Malcolm	Deakins, Eric
Buchan, Norman	Dewar, Donald
Caborn, Richard	Dixon, Donald
Callaghan, Rt Hon J.	Dobson, Frank
Callaghan, Jim (<i>Heyw'd & M</i>)	Dormand, Jack
Campbell, Ian	Douglas, Dick
Campbell-Savours, Dale	Dubs, Alfred
Canavan, Dennis	Dunwoody, Hon Mrs G.

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Earlie, Alex
Eastham, Ken
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Ellis, Raymond
Evans, John (*St. Helens N*)
Fatchett, Derek
Field, Frank (*Birkenhead*)
Fields, T. (*L'pool Broad Gn*)
Fisher, Mark
Flannery, Martin
Foot, Rt Hon Michael
Forrester, John
Foster, Derek
Foulkes, George
Fraser, J. (*Norwood*)
Freson, Rt Hon Reginald
Freud, Clement
Garrett, W. E.
George, Bruce
Gilbert, Rt Hon Dr John
Godman, Dr Norman
Golding, John
Gould, Bryan
Gourlay, Harry
Hamilton, James (*M'well N*)
Hamilton, W. W. (*Fife Central*)
Hancock, Michael
Hardy, Peter
Harman, Ms Harriet
Harrison, Rt Hon Walter
Hart, Rt Hon Dame Judith
Hattersley, Rt Hon Roy
Haynes, Frank
Healey, Rt Hon Denis
Heffer, Eric S.
Hogg, N. (*C'nauld & Kilsyth*)
Holland, Stuart (*Vauxhall*)
Home Robertson, John
Howells, Geraint
Hoyle, Douglas
Hughes, Dr Mark (*Durham*)
Hughes, Robert (*Aberdeen N*)
Hughes, Roy (*Newport East*)
Hughes, Sean (*Knowsley S*)
Hughes, Simon (*Southwark*)
Jenkins, Rt Hon Roy (*Hillh'd*)
John, Brynmor
Johnston, Sir Russell
Jones, Barry (*Alyn & Deeside*)
Kaufman, Rt Hon Gerald
Kennedy, Charles
Kilroy-Silk, Robert
Kinnock, Rt Hon Neil
Kirkwood, Archy
Lambie, David
Lamond, James
Leadbitter, Ted
Leighton, Ronald
Lewis, Ron (*Carlisle*)
Lewis, Terence (*Worsley*)
Litherland, Robert
Lloyd, Tony (*Stretford*)
Lofthouse, Geoffrey
Loyden, Edward
McCartney, Hugh
McDonald, Dr Oonagh
McGuire, Michael
McKay, Allen (*Penistone*)
McKelvey, William
MacKenzie, Rt Hon Gregor
McNamara, Kevin
McTaggart, Robert
Madden, Max
Marek, Dr John
Marshall, David (*Shettleston*)
Martin, Michael
Mason, Rt Hon Roy
Maxton, John
Maynard, Miss Joan
Meacher, Michael
Meadowcroft, Michael
Michie, William
Mikardo, Ian
Millan, Rt Hon Bruce
Miller, Dr M. S. (*E Kilbride*)
Mitchell, Austin (*G't Grimsby*)
Morris, Rt Hon A. (*W'shawe*)
Morris, Rt Hon J. (*Aberavon*)
Nellist, David
Oakes, Rt Hon Gordon
O'Brien, William
O'Neill, Martin
Orme, Rt Hon Stanley
Owen, Rt Hon Dr David
Park, George
Parry, Robert
Patchett, Terry
Pavitt, Laurie
Pendry, Tom
Penhaligon, David
Pike, Peter
Prescott, John
Radice, Giles
Randall, Stuart
Redmond, Martin.
Rees, Rt Hon M. (*Leeds S*)
Richardson, Ms Jo
Roberts, Allan (*Bootle*)
Roberts, Ernest (*Hackney N*)
Robertson, George
Robinson, G. (*Coventry NW*)
Rogers, Allan
Rooker, J. W.
Ross, Ernest (*Dundee W*)
Rowlands, Ted
Ryman, John
Sedgemore, Brian
Sheerman, Barry
Sheldon, Rt Hon R.
Shore, Rt Hon Peter
Short, Ms Clare (*Ladywood*)
Short, Mrs R. (*W'hampt'n NE*)
Silkin, Rt Hon J.
Skinner, Dennis
Smith, C. (*Isl'ton S & F'bury*)
Smith, Cyril (*Rochdale*)
Smith, Rt Hon J. (*M'ds, E*)
Snape, Peter
Sole, Clive
Spearing, Nigel
Steel, Rt Hon David
Stewart, Rt Hon D. (*W Isles*)
Stott, Roger
Strang, Gavin
Straw, Jack
Thomas, Dafydd (*Merioneth*)
Thomas, Dr R. (*Carmarthen*)
Thompson, J. (*Wansbeck*)
Thorne, Stan (*Preston*)
Tinn, James
Torney, Tom
Wainwright, R.
Wallace, James
Wardell, Gareth (*Gower*)
Wareing, Robert
Weetch, Ken
Welsh, Michael
White, James
Wigley, Dafydd
Williams, Rt Hon A.
Wilson, Gordon
Winnick, David
Woodall, Alec
Wrigglesworth, Ian
Young, David (*Bolton SE*)

Tellers for the Ayes:

Mr. John McWilliam and
Mr. Ray Powell.

Adley, Robert
Aitken, Jonathan
Alexander, Richard
Alison, Rt Hon Michael
Amery, Rt Hon Julian
Amess, David
Ancram, Michael
Arnold, Tom
Ashby, David
Aspinwall, Jack
Atkins, Rt Hon Sir H.
Atkins, Robert (*South Ribble*)
Atkinson, David (*B'm'th E*)
Baker, Rt Hon K. (*Mole Vall'y*)
Baker, Nicholas (*Dorset N*)
Baldry, Tony
Banks, Robert (*Harrogate*)
Batiste, Spencer
Beaumont-Dark, Anthony
Bendall, Vivian
Bennett, Rt Hon Sir Frederic
Benyon, William
Best, Keith
Bevan, David Gilroy
Biffen, Rt Hon John
Biggs-Davison, Sir John
Blackburn, John
Blaker, Rt Hon Sir Peter
Body, Sir Richard
Bonsor, Sir Nicholas
Bottomley, Peter
Bottomley, Mrs Virginia
Bowden, A. (*Brighton K'to'n*)
Bowden, Gerald (*Dulwich*)
Boyson, Dr Rhodes
Braine, Rt Hon Sir Bernard
Brandon-Bravo, Martin
Bright, Graham
Brinton, Tim
Brittan, Rt Hon Leon
Brooke, Hon Peter
Brown, M. (*Brigg & Cl'thpes*)
Browne, John
Bruinvels, Peter
Bryan, Sir Paul
Buchanan-Smith, Rt Hon A.
Buck, Sir Antony
Budgen, Nick
Bulmer, Esmond
Burt, Alistair
Butler, Rt Hon Sir Adam
Butterfill, John
Carlisle, John (*Luton N*)
Carlisle, Kenneth (*Lincoln*)
Carlisle, Rt Hon M. (*W'ton S*)
Cartiss, Michael
Cash, William
Channon, Rt Hon Paul
Chapman, Sydney
Chope, Christopher
Churchill, W. S.
Clark, Hon A. (*Plym'th S'n*)
Clark, Dr Michael (*Rochford*)
Clark, Sir W. (*Croydon S*)
Clarke, Rt Hon K. (*Rushcliffe*)
Clegg, Sir Walter
Cockeram, Eric
Colvin, Michael
Conway, Derek
Coombs, Simon
Cope, John
Cormack, Patrick
Corrie, John
Couchman, James
Cranborne, Viscount
Critchley, Julian
Crouch, David
Currie, Mrs Edwina
Dickens, Geoffrey

NOES

Dicks, Terry
Dorrell, Stephen
Douglas-Hamilton, Lord J.
Dover, Den
du Cann, Rt Hon Sir Edward
Dunn, Robert
Durant, Tony
Dykes, Hugh
Edwards, Rt Hon N. (*P'broke*)
Emery, Sir Peter
Evennett, David
Eyre, Sir Reginald
Fairbairn, Nicholas
Fallon, Michael
Farr, Sir John
Favell, Anthony
Fenner, Mrs Peggy
Finsberg, Sir Geoffrey
Fletcher, Alexander
Fookes, Miss Janet
Forman, Nigel
Forsyth, Michael (*Stirling*)
Forth, Eric
Fowler, Rt Hon Norman
Fox, Marcus
Franks, Cecil
Fraser, Peter (*Angus East*)
Freeman, Roger
Fry, Peter
Gale, Roger
Galley, Roy
Gardiner, George (*Reigate*)
Gardner, Sir Edward (*Fylde*)
Garel-Jones, Tristan
Gilmour, Rt Hon Sir Ian
Glyn, Dr Alan
Goodhart, Sir Philip
Goodlad, Alastair
Gorst, John
Gow, Ian
Gower, Sir Raymond
Grant, Sir Anthony
Greenway, Harry
Gregory, Conal
Griffiths, Sir Eldon
Griffiths, Peter (*Portsm'th N*)
Grist, Ian
Ground, Patrick
Grylls, Michael
Gummer, Rt Hon John S
Hamilton, Hon A. (*Epsom*)
Hamilton, Neil (*Tatton*)
Hampson, Dr Keith
Hanley, Jeremy
Hannam, John
Hargreaves, Kenneth
Harris, David
Harvey, Robert
Haselhurst, Alan
Havers, Rt Hon Sir Michael
Hawkins, C. (*High Peak*)
Hawkins, Sir Paul (*N'folk SW*)
Hawksley, Warren
Hayes, J.
Hayhoe, Rt Hon Barney
Hayward, Robert
Heath, Rt Hon Edward
Heathcoat-Amory, David
Heddle, John
Henderson, Barry
Heseltine, Rt Hon Michael
Hickmet, Richard
Hicks, Robert
Higgins, Rt Hon Terence L.
Hill, James
Hind, Kenneth
Hirst, Michael
Hogg, Hon Douglas (*Gr'th'm*)
Holland, Sir Philip (*Gedling*)

01-405 7641 Ext.

Communications on this subject should
be addressed to

THE LEGAL SECRETARY
ATTORNEY GENERAL'S CHAMBERS

ATTORNEY GENERAL'S CHAMBERS,
LAW OFFICERS' DEPARTMENT,
ROYAL COURTS OF JUSTICE,
LONDON, W.C.2.

CDP
27/1

C Powell Esq.
Private Secretary to the Prime Minister
Prime Minister's Office
No.10 Downing Street
London SW1

27 January 1986

Jean Charles

PRIME MINISTER'S SPEECH IN THE DEBATE
ON WESTLAND - MONDAY 27 JANUARY 1986

The Solicitor General has seen the draft Speech. (The Attorney General is, I understand, at No.10). The Solicitor has proposed the following amendments to the draft Speech:

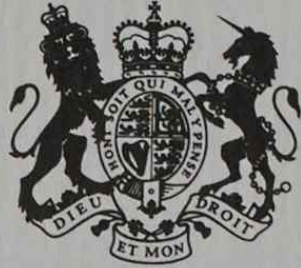
1. Page 11: Add after line 5 the following: "I understand that the Solicitor General spoke to the Defence Secretary on the telephone, told him of his provisional opinion about his published letter and warned him that he (the Solicitor General) would probably write to him on Monday 6 January when he had checked the documents and advise him to correct the inaccuracy".
2. Page 12: If the Prime Minister agrees that the further correspondence between Mr Heseltine and the Solicitor General should be disclosed, a reference could be made to the two letters after line 5.
3. Page 14, line 5: Amend "proposed" to "asked" (this would be consistent with the last line of page 16).

I am copying this letter to the Private Secretaries to the Lord President, the Lord Privy Seal, the Chief Whip, the Foreign and Commonwealth Secretary, the Home Secretary and Sir Robert Armstrong, to Sir Brian Hayes in the Department of Trade and Industry, to Sir Clive Whitmore in the Ministry of Defence and to Mr Wiggins in the Cabinet Office.

*Yours sincerely,
Richard Saunders*

M L SAUNDERS





10 DOWNING STREET

Nisei

from

Seifer

27,

SOME OF THE QUESTIONS ASKED IN MONDAY'S PRESS

1. When did the Prime Minister discover that Mr. Brittan had authorised the leak?
2. Did the Prime Minister's Office tell her - before the inquiry - who had authorised the leak?
3. What new information did the inquiry into the leak give the Prime Minister?
4. When did the Prime Minister decide to make public the outcome of the inquiry?
5. Who "took the decision" that the Solicitor-General should not be consulted about the leak?

Other possible Questions

6. Why did the Prime Minister make an "incomplete" statement on Thursday?

SS

27.1.86

LABOUR'S LIST OF QUESTIONS OVER LEAK

Daily Telegraph - 27.1.86

By Our Political Staff

THE Prime Minister will face a challenge in the Commons today over the leaking of the Westland affair letter from Sir Patrick Mayhew, Solicitor General, to Mr Heseltine, former Defence Committee.

Mr Hattersley, deputy Labour leader, said Mrs Thatcher had been ready to shelter behind members of her staff who knew she would be "party to the fraud" without having to ask her.

He set out key questions around which Labour's Commons attack is likely to centre.

Who instructed Sir Patrick Mayhew to write his letter of Jan 6 to Mr Heseltine suggesting that he had made inaccurate assertions about the merits of the rival rescue packages for Westland?

Why was the letter not published in full and openly distributed to newspapers instead of being "leaked" to the Press Association?

Which of the commercial considerations referred to by Mrs Thatcher would have been damaged by "honest and open refutation" of Mr Heseltine's statements?

Bogus inquiry

How soon after the "bogus leak inquiry" began did Mr Brittan and Mr Bernard Ingram, Mrs Thatcher's press secretary tell the Cabinet Secretary that they were the "originators of the leak"?

Was Mr Ingram instructed by the Prime Minister to answer questions about the letter so as to suggest that he knew nothing of the origin of the leak?

Why did Mrs Thatcher say she would not be party to the publication of a "private and confidential" letter from the chairman of British Aerospace, given that she had already countenanced the leaking of a professional letter from a Law Officer?

What new information did the inquiry into the "leak" actually give the Prime Minister?

When did she first know of the "squalid stratagem" authorised in her name and for how long was the Prime Minister actively and intentionally deceiving the country?

Daily Express - 27.1.86

In particular, we all want to know:—

1 Where and when did Mrs Thatcher first become aware that the "leaking" of the Solicitor General's now-famous letter to Mr Heseltine was inspired by the then-Secretary for Trade and Industry, Mr Leon Brittan, in collusion with members of her own private office?

2 It has been suggested that the Solicitor General, Sir Patrick Mayhew, did not write the letter of his own accord, but was urged to do so by the same unholy alliance—the alliance of the Department of Trade and Industry and the Prime Minister's private office—with the express purpose of discrediting Mr Heseltine.

Is this true, and if so did the Prime Minister know about it?

3 Was the Prime Minister, when she announced the setting up of a "leak" inquiry under Sir Robert Armstrong, already aware that the leak had been authorised by her Secretary of State?

4 There seems to be some evidence to suggest that some of the Prime Minister's staff either exceeded their authority or neglected their duty in keeping her informed. Is she contemplating any resignations at this level?

Owen's three question challenge

By Collin Brown
Political Reporter

THE SDP leader, Dr David Owen, yesterday challenged Mrs Thatcher to erase the "blacker lie" behind her misleading answers to Parliament over the Westland affair when she speaks in the Commons today.

Addressing the SDP Council in Bath, which passed an emergency motion condemning the Prime Minister for "deception, double dealing and incompetence," Dr Owen said Mrs Thatcher had to come clean in the Commons debate.

He compared the Westland affair to the Marconi scandal of 1912 when the attorney-general denied having shares in the firm when he held shares in the parent company.

Dr Owen quoted a Kipling poem of the period, saying: "The truthful, well-weighed answer that tells the blacker lie..." He added: "That blacker lie has got to be erased on Monday by the Prime Minister."

Mrs Thatcher had to answer three inescapable questions said Dr Owen. When was she told of the telephone call by Sir Patrick Mayhew, the Solicitor-General, to Mr Michael Heseltine at 10.30pm on Saturday January 4, telling him that he felt there were material inaccuracies in Mr Heseltine's letter?

Did Mrs Thatcher discuss the possible disclosure of the Solicitor-General's letter with her chief press secretary, Mr Bernard Ingham, and her private secretary, Mr Charles Powell before the letter was received at 1.30pm on January 6?

When did Mrs Thatcher know about the actions of Mr Ingham and Mr Powell on January 6 in giving cover to the disclosure of the Solicitor-General's letter?

Dr Owen added: "Once we know the answer to these three questions, everything else will fall into place. We will know whether it was right and proper for a full leak inquiry to be established and for the Cabinet Secretary, Sir Robert Armstrong, to conduct it."

The Commons would also know whether Mrs Thatcher's statement to MPs on Thursday had been as full as she had claimed. Dr Owen said the issue was no longer solely about Mrs Thatcher's style of premiership, it was about the structure of government.

rom Opposition MPs hoping to expose sequence of events in the Westland affair that cost Leon Brittan his Cabinet job

Commons to test Thatcher pledge of accuracy

By James Naughtie
and Richard Norton-Taylor

THE Prime Minister's promise to answer all questions from MPs on the Westland leak with "meticulous accuracy" will be tested in the Commons today when she will face demands from Opposition leaders and backbenchers for every detail of the leak.

The principal questions are:

When did the Prime Minister know that Mr Brittan had authorised the leak? Mrs Thatcher's answer in last Thursday's statement is not clear. "An enormous number of facts" were not

known to her until the eve of her statement, 16 days after the leak, but she did not say which facts were known earlier.

Did any member of the staff at Downing Street, in the private office or in the Press Office, tell the Prime Minister how the leak was arranged before Sir Robert Armstrong, the Cabinet Secretary, began his inquiry? Mrs Thatcher told the Commons she was not consulted before the leaking was done, but did not disclose who broke the news to her.

Did the inspiration for the covert method of disclosing the contents of Sir Patrick

Mayhew's letter come from Downing Street or the Department of Trade and Industry? So far, it has been suggested that the plan originated in DTI and was "covered" by Downing Street, in the persons of Mr Charles Powell, a private secretary, and Mr Bernard Ingham, the chief press secretary.

Did Downing Street participate in the drafting of Sir Patrick's letter? Friends of Mr Michael Heseltine, who resigned as defence secretary on January 9, claim that Downing Street played an active role in having the letter sent.

Did Downing Street know of the letter before Sir Pat-

rick telephoned Mr Heseltine on Saturday, January 4, two days before it became public?

Did Mrs Thatcher ask her press office or her private office before instituting the inquiry whether they knew where the leak had come from? If she did, and got the truth, the inquiry was unnecessary. If she was not told the truth, there will be demands for resignations.

Was Mr Ingham instructed by the Prime Minister or her private office to deny knowledge of the method used for the leak if he was asked? Such an instruction would amount to a cover-up, in the view of Opposition MPs.

Did Mrs Thatcher discuss the leak with Mr Brittan before the inquiry was completed? She said yesterday that Mr Brittan had done nothing disreputable — so it is assumed that if they discussed it, Mr Brittan told her that he authorised the leak at 1.30 pm on January 6 with Downing Street's agreement.

Did the Prime Minister know that the letter would be made public in some form on January 6? She has denied that she was consulted, and has made known her disapproval of the method, but when did she know that some sort of publication was intended?

Who took the decision that the Solicitor-General should not be consulted about the leak? Sir Patrick was furious when he learned of the disclosure of a confidential letter.

When did Mrs Thatcher decide to report to the Commons on the outcome of the inquiry? Opposition MPs claim she did so only under strong pressure.

Did she discuss the inquiry with Sir Robert while it was in progress?

Are arrangements in the Prime Minister's office to be changed as a result of the affair? The Prime Minister's defence yesterday rested on the claim that neither her

private office nor her press office had consulted her before authorising a leak.

When was it decided to set up the inquiry and when did Sir Robert discover that the leak involved Mr Powell and Mr Ingham as well as Mr John Mogg and Miss Colette Bowe of the DTI?

According to convention, ministers take responsibility for the acts of their civil servants. Under the detailed instructions drawn up in Whitehall, civil servants appearing before Commons select committees, for example, are deemed to be spokesmen for their ministers, with no separate view or policy of their own.

Personal



Sir Brian Hayes KCB
Permanent Secretary

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215)

GTN 215)

(Switchboard) 215 7877

27 January 1986

Dear Nigel,

I suggest the enclosed amendments to the draft speech. There is clearly a conflict of testimony and I think it right that this should be disclosed — I hope in a relatively innocuous way.

The speech at several points refers to evidence given to the inquiry. You may wish to consider (as may Robert Armstrong) whether this is likely to lead to demands for the evidence or the report to be published, and

whether it might not be better
simply to attribute views to
those concerned.

Cous ever

Brian

Nigel Wicks, Esq.

Page 23.

Substitute the following:

"their Secretary of State and cover from my office for proceeding. My officials made clear to the inquiry that they did not seek my agreement. The officials of DTI told the inquiry that the purpose of their approach to my officials was to seek agreement to the disclosure and to the modalities, and that in their view this was clear. My own officials say that they regarded themselves as being informed and consulted, rather than asked to give my authority. In the event, as I have already told the House, it was accepted that the Department of Trade and Industry should disclose the fact that the then Defence Secretary's letter of 3 January

was thought by the Solicitor General to contain material inaccuracies which needed to be corrected, and that, in view of the urgency of the matter, the disclosure should be made by means of a telephone communication to the Press Association.

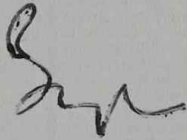
I can only conclude that there was a genuine misunderstanding. If my officials had believed...

Pages 24-5. Delete the sentence beginning "It is clear that..."

MR WICKS

Because of all the gossiping by DTI, the Prime Minister may be asked this afternoon whether I, as is suggested in today's FT (attached), had been active in getting the letter leaked.

The answer is that, as I have repeatedly said, I spoke to Colette Bowe (having been asked to do so by Lord Whitelaw) to reinforce his message to Leon Brittan to be more vigorous in arguing the Government's case. I did not advocate the leaking of the Solicitor General's letter, though I was concerned that Mr Heseltine's "freelance" letter to Mr Horne had cast doubt on the viability of the Sikorsky offer.



BERNARD INGHAM
27 January 1986

Heseltine, was not aware of the full facts on the attitude of the other European governments.

Mr Heseltine then wrote back to Sir Patrick, later on the Monday, to tell

It has now emerged that Sir Patrick replied, broadly accepting that the matter had been cleared up. Accordingly, Mr Heseltine complains that every word of his original Friday

suggested—staff at 10 Downing Street?

There were apparently parallel, but separate, conversations on January 6 between Mr John Mogg, Mr Brittan's private secretary, and Mr Charles Powell, one of Mrs Thatcher's private secretaries, and between Miss Colette Bowe Mr Brittan's head of information, and Mr

is believed to have considered resignation.

Why was it necessary to hold such an inquiry when Mr Brittan and two of the Prime Minister's closest advisers knew exactly what had happened? Did she ask them after the row had erupted over the leak following January 6.

Mrs Thatcher told MPs last Thursday that the inquiry was needed to find the full facts, because they were not known to her. She said an enormous number of the facts was not known to her until January 22, when the Cabinet Secretary reported. Which of these facts were new to her? Does this mean that the Prime Minister did not know at all that her own office and Mr Brittan had been involved in the leak, which had been authorised in her name, until more than a fortnight later?

Even the official version raises questions about the relationship, not only between colleagues within a Government but also about the political discretion given to civil servants. Mr Brittan's camp has complained about the behaviour of Mr Ingham, one of Mrs Thatcher's longest-serving advisers, because, it is said, he took an active role in the decision on how the letter should be leaked and had been active earlier in the affair.

It was clear from television interviews by ministers yesterday that Mrs Thatcher's Cabinet colleagues recognise that she gave an incomplete version last Thursday—partly because of a heated argument with Mr Brittan during the previous 24 hours. Moreover, they believe that she must tell the full story this afternoon—as she appeared to concede yesterday—if she is to end the controversy and begin to restore her political authority.

Cabinet minister. Educated at Eton and Christ Church, Oxford, and a millionaire—he is a member of the Guinness family—he gained entry to the Commons at the age of 23 by succeeding Sir Henry "Chips" Channon, his father, as MP for Southend West.

With such an impeccable Tory background and a wealth of experience in junior and middle ranking posts, Mr Channon's entry into the Cabinet at the start of his



Channon: served in the Trade and Industry Department as Minister of State, mainly responsible for trade policy, since 1983

28th year as an MP appears to owe more to the Prime Minister's desire to keep the changes in the top rank of the Government to a minimum in the wake of the resignations of Mr Michael Heseltine and Mr Leon Brittan.

While he enjoys the reputation of being a quiet, low-profile minister with a capacity to get on well with people, many of those who have observed his performance behind a ministerial desk rated him

She must tell the full story this afternoon if she is to end the controversy and begin to restore her political authority

letter to the European consortium stands uncorrected.

Mr Heseltine, therefore, wants to publish his response to the Solicitor-General, and might raise it when he gives evidence next week to the Commons Defence Committee.

There is, then, the central question of who authorised the disclosure of the first of Sir Patrick's letters. According to Mrs Thatcher, the letter was brought to Mr Brittan's attention at 1.30pm on January 6. He decided it should be brought into the public domain as soon as possible. He asked his officials to discuss with my office whether the disclosure should be made and, if so, whether it should be made from 10 Downing Street, as he said he would prefer. He made clear that, subject to the agreement of my office, he was giving authority for the disclosure to be made from the DTI, if it was not made from 10 Downing Street."

Bernard Ingham, the Prime Minister's chief press secretary.

Who took the initiative in these talks? Why did the Prime Minister's staff feel able to authorise the disclosure, or did they know she would approve? In short, who gave the order to Miss Bowe to make the disclosure?

Moreover, there is the manner of the disclosure. Mrs Thatcher said last Thursday that Mr Brittan had expressed no view on its form. She added that if she had been consulted, "I should have said that a different way must be found of making the relevant facts known."

The partial disclosure of only one aspect of the letter was presented by the Press Association as damaging to Mr Heseltine. Why was it impossible to release the whole letter? Why was the Solicitor General not asked for his approval?

The other main questions concern the nature of the inquiry

In balance of the Cabinet

Channon as Secretary

up the truth over the Westland leak and said it was "extremely doubtful" that

Ref. A086/275

MR FLESHER

Westland Debate: Leak Inquiries

--- As requested, I attach some notes on points which could come up in the debate, if questioners seek to compare and contrast the inquiry into the disclosure of the Solicitor General's letter of 6 January with other inquiries, past and current.

2. By way of background on the last of the attached questions and answers, you will wish to be aware that the inquiry by Mr Gordon Burrett into the disclosure of a document of 4 October (Mr Brittan's minute to the Prime Minister), set up on the Prime Minister's authority on 2 January, was expanded on 13 January to take in the disclosure of a further document of 18 October (a letter from Mr Hosker at the Department of Trade and Industry to Mr Mottram at the Ministry of Defence). The report is expected to be submitted to Sir Robert Armstrong by the end of the week. It is unlikely to identify directly any individual.

MS

M C STARK

27 January 1986

WESTLAND: NOTES FOR SUPPLEMENTARIES

Q. Why the long delay between the disclosure (6 January) and the decision to set up the enquiry (13 January)?

A. Not a long delay. In my statement I have given a detailed account of the sequence of events prior to announcement of the enquiry.

Q. What is the normal lapse of time between discovery of a disclosure and the setting up of an enquiry?

A. Varies - average around a week.

Q. How long between a) disclosure and b) setting up of enquiry in previous cases?

A. Ponting: 8 days
Tisdall: 5 days

Q. Why was this an internal inquiry whereas in the Ponting case the police were put in at once?

A. In Mr Ponting's case the fact that there was formal documentary evidence of the leak dictated an immediate inquiry by policy experts. In most cases, including the present one, there is no such documentary proof evidence available at the outset, and the normal practice is therefore to hold a preliminary inquiry, in the light of which my Rt Hon and Learned Friend can decide whether the leak should be regarded as a possible criminal offence and investigated accordingly.

OTHER WESTLAND LEAKS

Q. What other Westland leaks are being investigated?

A. Inquiries are under way to determine how the contents of Ministerial correspondence of 4 and 18 October became public over the Christmas period. These inquiries are not yet complete.

Q. When will these reports be submitted? Will they be published? If not why not? Has immunity from prosecution been offered? Will the police be brought in? Will any prosecutions be launched?

A. Once I have seen the reports I will consider whether there is anything which I can usefully tell the House about these matters.

MR. WICKS

cc. Mr. Powell

The suddenness of moving from the disclosure to the inquiry on pages 12 and 13 will I think cause a row in the House because it will seem that the Prime Minister is dodging the central question of what she knew before the inquiry was set up. Hence my amendment (which does draw slightly on a few sentences which at present appear later on pages 25 and 26).

Proposed amendment to Page 12

.... THE MEDIA LATER THAT DAY.

INSERT

I DID NOT KNOW ABOUT THE DISCLOSURE OF THE SOLICITOR-GENERAL'S LETTER UNTIL SOME HOURS AFTER IT HAD OCCURED, I DISCUSSED THE MATTER WITH MY OFFICE THE FOLLOWING MORNING AND WAS TOLD THAT THERE HAD BEEN CONTACTS BETWEEN MY OFFICE AND THE DEPARTMENT OF TRADE AND INDUSTRY ON THE SUBJECT, I ALSO KNEW, OF COURSE, THAT I HAD NOT GIVEN OR BEEN ASKED TO GIVE MY AUTHORISATION TO THAT DISCLOSURE.

I MUST NOW THEREFORE TURN TO THE EVENTS LEADING UP TO THE DECISION TO HAVE AN INQUIRY INTO THE CIRCUMSTANCES OF THAT DISCLOSURE.

CONTINUE ON PAGE 13 - "on 7th January

Green
27/1

Sol. Ger.

3 Suggestions
Addition

Page 11 - ^{after} attention!

I understand that the Sol.
Ger. spoke to the Defense Sec.
on the telephone told him
of his provisional opinion about
~~the~~ his published letter and
warned him that he (Sol Ger)
would probably write to him or

Monday 6 January when he
had checked the documents and
advise him to correct the
inaccuracy.

Page 12 (after later that day).
may be advantageous to refer to
additional correspondence between
Sol. Gen. and Defence Secretary.
6/7th. January. 1986.

Page 14 line 5

instead of 'proposed': asked.
(as in last line ^{Page} 16).

27.1.86

PROPOSED AMENDMENTS FROM THE ATTORNEY GENERAL

Page 12 - after inaccuracies insert:

"My office was aware that the letter was being written and a copy was received at No. 10 at about 1.30 pm. This is the point at which matters went wrong, giving rise not merely to the publication of the fact of the "material inaccuracies" in my rt hon Friend the then Defence Secretary's letter of which I approved for the reasons I gave to the House on Thursday 23 January, but of the leaking of the letter in the way which occurred which as I have also made clear I do not approve and deeply regret."

CONFIDENTIAL

file

EL3AVJ



10 DOWNING STREET

From the Private Secretary

27 January 1986

PRIME MINISTER'S SPEECH IN THE ADJOURNMENT DEBATE
ON WESTLAND, 27 JANUARY

I enclose a draft of the Prime Minister's speech in this afternoon's adjournment debate, as it stands this morning. I should be grateful for any comments by 1200 noon.

I am copying this letter and enclosure to the Private Secretaries to the Lord President, the Lord Privy Seal, the Chief Whip, the Foreign and Commonwealth Secretary, the Home Secretary and Sir Robert Armstrong, to Sir Brian Hayes in the Department of Trade and Industry, to Sir Clive Whitmore in the Ministry of Defence and to Mr. Wiggins in the Cabinet Office.

(Charles Powell)

Henry Steel, Esq., C.M.G., O.B.E.
Law Officers' Department.

CONFIDENTIAL

Prime Minister - if you agree

Lord Privy Seal

File
Not submitted
to PM
W.L.W.

Robert Armstrong has drafted the attached to answer one of Dr Owen's points. Charles Powell says that it is accurate. If you agree, and the Lord Privy Seal is willing, he might use it in his wind-up.

RTA and Charles are
happy with this.

I am very ^{wary} ~~wary~~ of
it, and think it could
lead to problems.

W.L.W.

MY RT. HON. FRIEND THE PRIME MINISTER HAS AUTHORISED
ME TO SAY THAT AT NO TIME DURING THE WEEKEND OF
4 AND 5 JANUARY OR ON 6 JANUARY DID SHE DISCUSS
WITH HER OFFICE WHAT ACTION SHOULD FOLLOW, IF THE
SOLICITOR GENERAL WERE TO WRITE TO THE THEN DEFENCE
SECRETARY, AS SHE HAD ASKED HIM TO CONSIDER DOING,
TO EXPRESS HIS VIEW THAT THERE WERE MATERIAL
INACCURACIES IN THE DEFENCE SECRETARY'S LETTER
OF 3 JANUARY TO MR. HORNE.

HER UNDERSTANDING WAS THAT, IF THE SOLICITOR GENERAL DECIDED
TO WRITE, HE WOULD ADVISE THE DEFENCE SECRETARY
TO WRITE AGAIN TO MR. HORNE CORRECTING THE INACCURACIES.
THAT IS WHAT THE SOLICITOR GENERAL DID.

13 13

IT WAS SUGGESTED THAT MY RT. HON. FRIEND THE PRIME MINISTER
OUGHT TO HAVE DISCUSSED THIS MATTER WITH HER OFFICE.
BUT, MR. SPEAKER, AS MY RT. HON. FRIEND HERSELF
SAID, AN INQUIRY WAS ALREADY UNDER CONSIDERATION
THE VERY NEXT DAY AND IT WAS CLEAR THAT HER OFFICIALS
WOULD NEED TO GIVE EVIDENCE TO THE INQUIRY.
IT WOULD HAVE BEEN QUITE WRONG FOR THE OFFICIALS
TO HAVE OFFERED HER AN INEVITABLY PARTIAL ACCOUNT,
RATHER THAN GIVE THEIR ACCOUNT TO THE INQUIRY.
I WONDER WHAT HON. MEMBERS OPPOSITE WOULD HAVE SAID
HAD MY RT. HON. FRIEND COME TO THE HOUSE AND REPORTED
ON THE BASIS OF A DISCUSSION WITH HER OWN OFFICE,
RATHER THAN ON THE BASIS OF THE REPORT OF AN
INDEPENDENT INQUIRY.

FOR IMMEDIATE RELEASE

COR
27/1

WESTLAND plc

Amended proposals to effect a capital reconstruction and an association with United Technologies Corporation ("UTC") and Internazionale Holding Fiat S.A. ("Fiat")

Westland plc ("Westland" or the "Company") announces that amended proposals to effect a capital reconstruction of the Company, which can be approved by a simple majority of votes, have been agreed with UTC and Fiat. Details of these proposals are being sent to shareholders today and an Extraordinary General Meeting, at which an Ordinary Resolution will be put to shareholders, is to be convened for 12th February, 1986.

The capital reconstruction involves the shareholders of Westland, UTC and Fiat and Westland's bankers.

In the circular to shareholders, Westland Chairman Sir John Cuckney states "Westland remains in a precarious financial condition and urgently needs a capital reconstruction. The future of Westland must be settled soon, and the Company allowed to concentrate on its commercial activities. Your Board is totally convinced of the benefit of a partnership with UTC and Fiat."

The amended proposals, which are subject to the approval of shareholders in general meeting and to obtaining a listing on The Stock Exchange for the new ordinary shares, the convertible preference shares and the warrants, comprise the four elements described in paragraphs 1 to 4 below :-

1. Rights Issues

Under the amended proposals, shareholders of Westland who are on the register on 5th February, 1986 will be offered the right to subscribe for up to 23,718,986 new ordinary shares of 25p each and up to 21,050,600 7½% convertible cumulative preference shares of £1 each by way of rights issues which will raise approximately £35.5 million for the Company. The new ordinary shares will be issued to shareholders at 60p per share on the basis of 2 new ordinary shares for every 5 existing ordinary shares held. The convertible preference shares will be issued to shareholders at £1 per share on the basis of £35.50 nominal of convertible preference shares for every 100 existing ordinary shares held. The convertible preference shares will be convertible at the holder's option on 31st January in each of the years 1987 to 2006 on the basis of 20 new ordinary shares for every £17 nominal of convertible preference shares.

The rights issue of new ordinary shares has been underwritten by Lazard Brothers & Co., Limited. The rights issue of convertible preference share has been underwritten jointly by National Westminster Bank PLC, Barclays Bank PLC and Lazard Brothers & Co., Limited ("the Banks").

Application will be made to the Council of The Stock Exchange for the new ordinary shares and the convertible preference shares to be admitted to the Official List. It is expected that provisional allotment letters will be posted on 12th February, 1986 and that dealings in the new ordinary shares and the convertible preference shares, nil paid, will begin on 13th February, 1986.

2. Issue of Warrants

It is proposed that the Company will issue warrants to subscribe for new ordinary shares to shareholders who are on the register on 5th February, 1986. The issue will be made on the basis of 2 warrants for every 5 existing ordinary shares held. Each warrant will carry the right to subscribe for one new ordinary share at 85p per share; the right will be exercisable on 31st January in each year. The first subscription date will be 31st January, 1987 and the last will be 31st January, 1996.

No payment will be required in respect of the warrants unless and until subscription rights in relation to the warrants are exercised. If the warrants are exercised in full the Company will issue up to 23,718,986 new ordinary shares which will raise approximately £20.1 million.

Application will be made to the Council of The Stock Exchange for the warrants to be admitted to the Official List and the Company will apply for the new ordinary shares resulting from the exercise of the warrants to be admitted to the Official List. It is intended that definitive warrant certificates will be posted on 12th February, 1986 and that dealings in the warrants will commence on 13th February, 1986.

3. Subscription by UTC and Fiat for preferred ordinary shares

It is proposed that UTC and Fiat will subscribe for a total of 500,000 voting preferred ordinary shares of 25p each and 35,000,000 non-voting preferred ordinary shares of 25p for a consideration valued at 70p per share. The total consideration will be satisfied in part by the entering into of a Know-how Agreement relating to the Black Hawk helicopter and in part by the payment of £19.8 million in cash.

The Company has been informed that as at 24th January, 1986 the UTC group and the Fiat group (i) together owned 5,501,250 existing ordinary shares and (ii) had entered into arrangements under which they may be required to purchase on or after 19th February, 1986 a maximum of 2,528,236 existing ordinary shares. These shares were acquired and these arrangements entered into between 22nd and 24th January, 1986 at prices ranging between 132p and 151p per share.

No application will be made for the preferred ordinary shares to be listed on any stock exchange.

4. Subscriptions for subordinated loan stock

It is proposed that UTC and Fiat will subscribe in cash at par for a total of £18,000,000 of 15 per cent. subordinated unsecured loan stock 1994/1998. A total of £2,000,000 15 per cent. subordinated unsecured loan stock 1994/1996 will be issued to the Banks in discharge of £2,000,000 of indebtedness owed by the Company.

5. Financial effects

On the basis of Westland's net borrowings as at 27th December, 1985 and shareholders' funds as at 30th September, 1985, the adjusted pro forma percentage of net debt to shareholders' funds following the Reconstruction will fall from approximately 379 per cent. to approximately 43 per cent.

6. Summary

The effects of the amended proposals are summarised in the following table:-

	<u>% of ordinary share capital</u>			
	On full dilution number of Shares	Pre- conversion and warrants exercise	Fully diluted	Additions to capital base (before expenses)
	m	%	%	£m
Existing ordinary shares	59.3			
Rights issue of new ordinary shares	23.7			14.2

	83.0	70.1		
Rights issue of convertible preference shares (note i)	24.7			21.0
Issue of warrants (note ii)	23.7			

	131.4		78.7	
Subscription by UTC and Fiat for preferred ordinary shares (notes iii & iv)	35.5	29.9	21.3	24.8
	-----	-----	-----	
	166.9	100.0	100.0	
	-----	-----	-----	
Subordinated loan stock (£20 million nominal)				20.0

				80.0

Notes:

- (i) The Banks have underwritten the rights issue of convertible preference shares. If existing ordinary shareholders do not take up their rights under this issue the Banks would, on full conversion of the convertible preference shares, hold 15% of the ordinary share capital of the Company: existing ordinary shareholders would then hold 64% of the ordinary share capital.
- (ii) On full exercise of the warrants the Company will receive a further £20.1 million, which is not reflected in the financial figures in the above table.
- (iii) The subscription by UTC and Fiat for preferred ordinary shares will be satisfied partly by the entering into of a Know-how Agreement (£5.0 million) and partly in cash (£19.8 million).
- (iv) The shareholdings do not take into account the UTC and Fiat interests recently notified to the Company.

Commenting on today's announcement, Westland Chairman Sir John Cuckney said "I very much hope these amended proposals, which are broadly similar to the previous proposals recommended by the Board, will achieve the same level of support from shareholders. A 50 per cent. majority is all that is required, so the way is now open to approve this important partnership with UTC and Fiat on February 12th and enable Westland to return to stability".

Copies of the Chairman's Letter to shareholders and the Further Supplementary Listing Particulars sent to shareholders today are attached to this press announcement.

27th January, 1986

END

Enquiries to:

Westland plc

Sir John Cuckney, Chairman	up to 12 noon	01-583-1398
	thereafter	01-839-4061
Sir John Treacher, Vice-Chairman		
Hugh Stewart, Group Chief Executive		

Lazard Brothers & Co., Limited

Michael Baughan	01-583-1398
Marcus Agius	01-588-2721

UTC

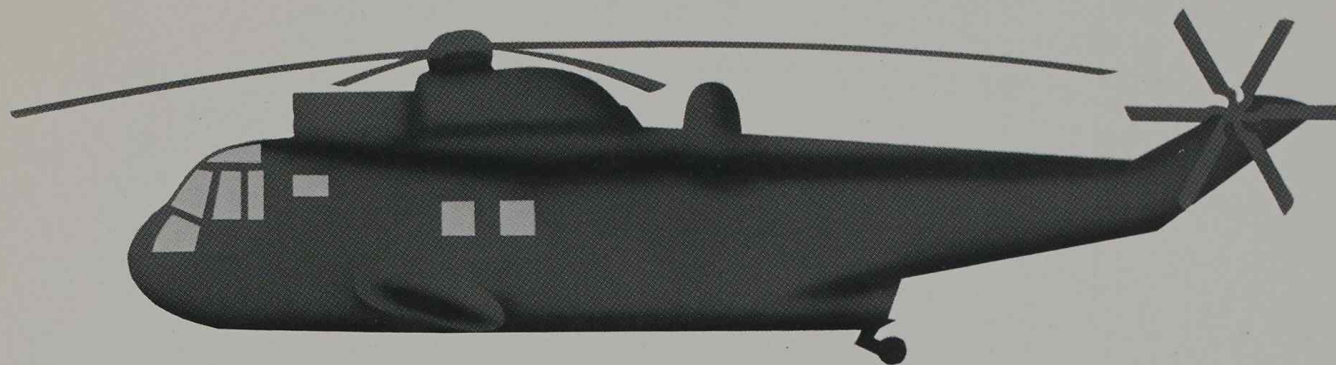
Colombus Iselin	01-930-9342
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Morgan Grenfell & Co. Limited

Peter Cadbury	01-588-4545
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Lopex

R. Gregory		01-583-1398
	At home:	0959-63327



Why UTC & Fiat are best for Westland and for you.

THIS DOCUMENT IS IMPORTANT AND REQUIRES
YOUR IMMEDIATE ATTENTION.

If you are in any doubt about this document you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately. If you have sold all your shares in Westland plc, please hand this document and the accompanying Further Supplementary Listing Particulars and proxy card to the purchaser or to the stockbroker, bank or other agent through whom the sale was effected, for transmission to the purchaser.

This document should be read in conjunction with the accompanying Further Supplementary Listing Particulars dated 27th January, 1986 and Notice of Extraordinary General Meeting to be held on Wednesday, 12th February, 1986.

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Westland plc

(Registered in England No. 302632)

Registered Office:
Westland Works
Yeovil Somerset
BA20 2YB

27th January, 1986

Dear Shareholder

This document explains our amended proposals for a capital reconstruction and an association with UTC and Fiat. These can be approved by a simple majority of votes. Westland remains in a precarious financial condition and urgently needs a capital reconstruction. The future of Westland must be settled soon, and the Company allowed to concentrate on its commercial activities.

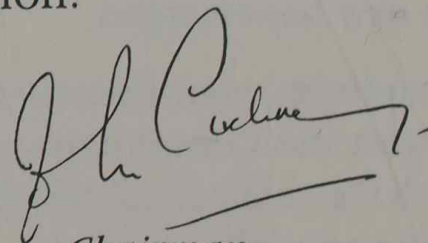
Your Board is totally convinced of the benefit of a partnership with UTC and Fiat. This is also overwhelmingly supported by the workforce.

On pages 2 and 3 I spell out why you should back your Board.

Please consider these key points:

- Westland's need for a capital reconstruction is as urgent as ever.
- Your Board's proposals for a partnership with UTC and Fiat received majority support at the recent meeting of shareholders.
- The European Consortium has put forward nothing new.
- Your Board has considered *all* the options, and remains convinced that a partnership with UTC and Fiat as minority shareholders is in your best interests.
- Your Board's amended proposals now require only a simple majority.
- Your vote is vital. Please act now to secure the future of Westland. Vote in favour of the Resolution.

Yours faithfully,


Chairman

Back the Board-it's in your interest

by SIR JOHN CUCKNEY, *Chairman*, Westland p.l.c.

You will be aware that, although the resolution to increase the Company's borrowing limits was passed, the Board's previous proposals did not secure the necessary 75 per cent. majority at the Extraordinary General Meeting on 17th January. Those proposals were blocked principally by a small number of large shareholdings.

Nevertheless, virtually two-thirds of the votes cast at the Extraordinary General Meeting were in favour of your Board's recommended proposals. This clear majority shows the strength of support for an association with UTC and Fiat.

The Board's duty is to consider the interests of the Company as a whole, including your interests as shareholders and those of our employees.

It is also its duty, when faced with two competing proposals, to exercise judgement and leadership in determining which is the better. It would be abdicating its responsibilities if it failed to do so.

Your Board remains firmly of the view that the Consortium's proposals are not in the Company's best interests and continues unanimously to recommend the UTC/Fiat proposals.

What we believe

Although exchanges have taken place with representatives of the Consortium since the shareholders' meeting on 17th January, nothing new has emerged.

Accordingly, your Directors continue to believe that the Consortium's proposals do not match the commercial benefits which the proposed partnership with UTC and Fiat will

bring. I have repeated to the Consortium that the only honourable course would be for it to withdraw.

What we propose

A summary of the amended proposals is set out on page 4.

Their principal features are:

- underwritten rights issues to existing ordinary shareholders of ordinary shares and convertible preference shares;
- an issue to existing ordinary shareholders of warrants to subscribe further ordinary shares;
- an issue to UTC and Fiat of preferred ordinary shares for the provision of know-how and cash;
- issues to UTC/Fiat and the Banks of subordinated loan stock.

A simple majority

You are being given an opportunity to take up convertible preference shares. The UTC/Fiat arrangements have been restructured and the proposal to grant an option to UTC to subscribe further new shares has been dropped. The proposed reduction of capital has been deferred. For all these reasons, a special resolution requiring a 75 per cent. majority is no longer necessary.

We will still need to put forward proposals for a capital reduction of the Company in order to be able to pay dividends in the future. This is a technical matter and will not affect shareholders' funds. We intend to put this to shareholders at the time of the next Annual General Meeting in the Spring.

What your Board recommends

Your Board and its advisers have now spent many months evaluating, with the utmost care, all the options available to the Company, including—but by no means limited to—the UTC and Fiat proposals and the Consortium's proposals.

The arguments in favour of the amended proposals remain the same as those for your Board's previous proposals. They retain all their force.

To summarise our views:

- UTC and Fiat are strong and profitable private sector companies.
- Westland has for 38 years been building helicopters with Sikorsky (the world's leading helicopter manufacturer), including the highly successful Sea King.
- The work offered by UTC is assured and of high quality.
- The Black Hawk, which we will make under licence at Yeovil, is the outstanding helicopter in its class, with great export potential.

- Partnership with UTC and Fiat will mean continued production by our skilled workforce of whole helicopters, with continued opportunities for suppliers of British avionics, electronics and missile systems.
- Partnership with UTC and Fiat will mean further development of Westland's technical specialisations which have been so successful in the past.
- Partnership with UTC and Fiat will also benefit Westland's non-helicopter activities.
- Our participation in the European EH 101 helicopter project will continue and with Sikorsky we will have access for this helicopter to the world's largest helicopter market—the U.S.A.

What you should do

The time has now come when you the shareholders must decide the Company's future. We ask you again to support your Directors and vote definitively in favour of the Resolution at the Extraordinary General Meeting on Wednesday, 12th February, 1986.

TIMETABLE

1986

Latest time and date for lodgement of proxies.....	10.30 a.m. Monday, 10th February
Extraordinary General Meeting.....	10.30 a.m. Wednesday, 12th February

Side by Side: The Previous and Amended Proposals

<u>The Previous Proposals</u>	VALUE £m	<u>The Amended Proposals</u>	VALUE £m
2 for 5 underwritten rights issue of ordinary shares at 60p per share	14.2	2 for 5 underwritten rights issue of ordinary shares at 60p per share	14.2
Conversion of bank debt into preference shares (convertible into ordinary shares at 85p per share)	21.0	Underwritten rights issue of £35.50 nominal of preference shares for every 100 ordinary shares at £1 per share (convertible into ordinary shares at 85p per share)	21.0
Subscription by UTC and Fiat for preferred ordinary shares at 65p per share	23.1	Subscription by UTC and Fiat for preferred ordinary shares at 70p per share (note i)	24.8
Conversion of bank debt into preference share capital (note ii)	2.0	Conversion of bank debt into subordinated loan stock (note iii)	2.0
Subscription or purchase by UTC/Fiat of preference shares	13.7	Subscription by UTC/Fiat of subordinated loan stock (note iii)	18.0
Loan note in respect of initial payment for Black Hawk licence	5.0		
	79.0		80.0
2 for 5 issue of warrants to existing ordinary shareholders to subscribe for ordinary shares at 85p per share (note iv)	20.1	2 for 5 issue of warrants to existing ordinary shareholders to subscribe for ordinary shares at 85p per share (note iv)	20.1

NOTES

(i) Includes £5 million of know-how. **(ii)** Net of the sale by the Banks to UTC/Fiat of £5 million of preference shares. **(iii)** The subordinated loan stock has been structured so that its economic effect is broadly equivalent to the preference shares in the previous proposals. **(iv)** Assumes that all the warrants are exercised.

* Who will own the ordinary shares?

The Previous Proposals

Existing ordinary shareholders 64%
 UTC/Fiat 21%
 The Banks 15%

The Amended Proposals

Existing ordinary shareholders 79%
 UTC/Fiat (note) 21%
 The Banks —

* The amended proposals assume full take-up by existing ordinary shareholders of the rights issues, full conversion of the preference shares and full exercise of the warrants. Under the previous proposals, existing ordinary shareholders were not offered the right to subscribe for preference shares.

Note: Does not include the interests recently notified to the Company as set out on page 10 of the Further Supplementary Listing Particulars.

How to cast your proxy vote

What the ordinary resolution does

The Resolution to be proposed at the Extraordinary General Meeting on Wednesday, 12th February, 1986 would increase the authorised share capital to give effect to the rights and warrant issues to yourselves as existing ordinary shareholders and to the issue to UTC and Fiat of the preferred ordinary shares which they have agreed to subscribe. The Notice of the Meeting containing the Resolution is set out at the end of the Further Supplementary Listing Particulars (enclosed).

Return of your proxy card

Whether or not you propose to attend the Extraordinary General Meeting, you are urged to complete and return your proxy card as soon as possible.

If you have difficulty in returning your proxy card in time you can call 01-583 1398 between 10 a.m. and 8 p.m. Monday to Saturday, and we'll do our best to help you.

If you wish to vote for the Resolution to adopt the UTC/Fiat proposals, you should

complete the enclosed pink proxy card by inserting a cross in the column marked "For", as shown in the box below. You should then sign the proxy card and return it so as to arrive at the latest by 10.30 a.m. on Monday, 10th February, 1986.

FOR	AGAINST
X	

If you wish to leave your proxy with discretion as to how to vote at the Meeting, you should not insert a cross on the proxy card in either the "For" or "Against" column, but should merely sign and return the proxy card so as to arrive at the latest by 10.30 a.m. on Monday, 10th February, 1986. If you wish to vote against the Resolution you should complete the proxy card by placing a cross in the column marked "Against", and then sign and return the proxy card as explained above.

Completion and return of your proxy card will not prevent you from attending and voting at the Meeting should you wish to do so.

Westland

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about this document you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately. If you have sold all your shares in Westland plc, please hand this document and the accompanying circular and form of proxy to the purchaser or to the stockbroker, bank or other agent through whom the sale was effected, for transmission to the purchaser.

FURTHER SUPPLEMENTARY

LISTING PARTICULARS

in connection with the proposed

RECONSTRUCTION OF WESTLAND plc

Notice of an Extraordinary General Meeting of the Company to be held on Wednesday, 12th February, 1986 is set out on pages 29 to 34.

A copy of this document, which comprises Further Supplementary Listing Particulars relating to Westland plc required by The Stock Exchange (Listing) Regulations 1984, has been delivered for registration to the Registrar of Companies as required by those regulations. These Further Supplementary Listing Particulars should be read in conjunction with the Listing Particulars dated 21st December, 1985 and the Supplementary Listing Particulars dated 6th January, 1986 relating to Westland plc. Application will be made to the Council of The Stock Exchange for the New Ordinary Shares, the Warrants and the Convertible Preference Shares proposed to be allotted as part of the proposed reconstruction of Westland plc to be admitted to the Official List.

Dated 27th January, 1986

Definitions

The following definitions apply throughout this document unless the context requires otherwise:

“Westland” or “the Company”	Westland plc
“the Westland Group” or “the Group”	Westland and its subsidiaries
“UTC”	United Technologies Corporation
“Sikorsky”	Sikorsky Aircraft, the helicopter division of UTC
“Fiat”	Internazionale Holding Fiat S.A., a wholly-owned subsidiary of Fiat S.p.A.
“the Banks”	National Westminster Bank PLC, Barclays Bank PLC and Lazard Brothers & Co., Limited
“Lazard Brothers”	Lazard Brothers & Co., Limited
“Ordinary Shares”	Ordinary Shares of 25p each in Westland
“Existing Ordinary Shares”	existing issued Ordinary Shares of 25p each in Westland
“Existing Ordinary Shareholders”	holders of Existing Ordinary Shares
“New Ordinary Shares”	new Ordinary Shares of 25p each in Westland to be allotted pursuant to the Ordinary Issue
“Voting Preferred Ordinary Shares”	Voting Preferred Ordinary Shares of 25p each in Westland to be created pursuant to the Resolution
“Non-voting Preferred Ordinary Shares”	Non-voting Preferred Ordinary Shares of 25p each in Westland to be created pursuant to the Resolution
“Preferred Ordinary Shares”	Voting Preferred Ordinary Shares and Non-voting Preferred Ordinary Shares
“Convertible Preference Shares”	7½% Convertible Cumulative Preference Shares of £1 each in Westland to be created pursuant to the Resolution
“Warrants”	Warrants to subscribe for new Ordinary Shares at a subscription price of 85p per share on the terms set out in Part III
“Reconstruction”	the proposed reconstruction of Westland’s capital and of the Westland Group’s borrowings described in this document
“Resolution”	the resolution to be proposed at the Extraordinary General Meeting as set out in the Notice of Meeting on pages 29 to 34
“Extraordinary General Meeting”	the Extraordinary General Meeting of Westland convened for Wednesday, 12th February, 1986 for the purpose of considering and, if thought fit, passing the Resolution
“Ordinary Issue”	the rights issue of New Ordinary Shares in favour of Existing Ordinary Shareholders proposed to be effected as part of the Reconstruction
“Preference Issue”	the rights issue of Convertible Preference Shares in favour of Existing Ordinary Shareholders proposed to be effected as part of the Reconstruction
“Rights Issue”	the Ordinary Issue and the Preference Issue
“Stock”	the £18,000,000 nominal amount of 15 per cent. UTC/Fiat Subordinated Unsecured Loan Stock 1994/1998 (the “UTC/Fiat Stock”) and the £2,000,000 nominal amount of 15 per cent. Banks’ Subordinated Unsecured Loan Stock 1994/1996 (the “Banks’ Stock”)
“Listing Particulars”	the Listing Particulars of Westland dated 21st December, 1985
“Supplementary Listing Particulars”	the Supplementary Listing Particulars of Westland dated 6th January, 1986

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TIMETABLE

1986	
Record date for entitlements	Wednesday, 5th February
Latest time and date for lodgement of proxies	10.30 a.m. Monday, 10th February
Extraordinary General Meeting	10.30 a.m. Wednesday, 12th February
Provisional allotment letters for New Ordinary Shares and Convertible Preference Shares and definitive Warrant certificates despatched	Wednesday, 12th February
Dealings in New Ordinary Shares (nil paid), Convertible Preference Shares (nil paid) and Warrants commence	Thursday, 13th February
Latest time and date for splitting provisional allotment letters (nil paid)	3.00 p.m. Wednesday, 5th March
Latest time and date for acceptance and payment in full	3.00 p.m. Friday, 7th March
Latest time and date for splitting provisional allotment letters (fully paid)	3.00 p.m. Wednesday, 9th April
Latest time and date for renunciation of provisional allotment letters	3.00 p.m. Friday, 11th April
Definitive certificates for New Ordinary Shares and Convertible Preference Shares despatched	Friday, 9th May

PART I The Reconstruction

1 Introduction

The Reconstruction comprises the four elements set out in paragraphs 2 to 5 below and is subject to the satisfaction of each of the following conditions:

- (a) the passing of the Resolution;
- (b) the Council of The Stock Exchange granting permission for the New Ordinary Shares, the Warrants and the Convertible Preference Shares to be admitted to the Official List;
- (c) the Master Agreement having become unconditional and the subscriptions pursuant thereto having been effected; and
- (d) the posting of provisional allotment letters and definitive Warrant certificates on 12th February, 1986 (or such other time as may be agreed between the Company and Lazard Brothers) to holders of Existing Ordinary Shares on the register of members at the close of business on 5th February, 1986.

2 Rights Issue

The Rights Issue comprises two parts:

(a) *Issue of up to 23,718,986 New Ordinary Shares*

Existing Ordinary Shareholders on the register at the close of business on 5th February, 1986 will be offered the right to subscribe for New Ordinary Shares on the basis of 2 New Ordinary Shares for every 5 Existing Ordinary Shares then held, with fractions of a New Ordinary Share being rounded down to the nearest whole number. This will involve the issue of up to 23,718,986 New Ordinary Shares. The issue price of the New Ordinary Shares will be 60p per share which will be payable in full on acceptance. This issue will raise approximately £14.2 million (before expenses) and has been fully underwritten by Lazard Brothers.

(b) *Issue of up to 21,050,600 Convertible Preference Shares*

Existing Ordinary Shareholders on the register at the close of business on 5th February, 1986 will be offered the right to subscribe for Convertible Preference Shares on the basis of £35.50 nominal of Convertible Preference Shares for every 100 Existing Ordinary Shares then held, with fractions of a Convertible Preference Share being rounded down to the nearest whole number. This will involve the issue of up to 21,050,600 Convertible Preference Shares. The issue price of the Convertible Preference Shares will be £1 per share which will be payable in full on acceptance. This issue will raise approximately £21 million (before expenses) and has been fully underwritten by the Banks.

The rights to be attached to the Convertible Preference Shares are set out in full in the Resolution (on pages 29 to 34), from which it will be noted that:

- (i) dividends on the Convertible Preference Shares will be payable at the rate of 7½ per cent. per annum in equal half yearly amounts on 30th June and 31st December (the first dividend not being due for payment until 31st December, 1986 for the period from the date of allotment to 31st December, 1986);
- (ii) on a winding up the assets of the Company available to shareholders will be applied, in priority to any payment to holders of Preferred Ordinary Shares and Ordinary Shares, in repaying to holders of Convertible Preference Shares the nominal capital paid up on those shares and any arrears of dividend (whether earned or due for payment or not), but the Convertible Preference Shares shall not carry any further right to participate in the assets of the Company;
- (iii) the Convertible Preference Shares will not confer the right to vote at a General Meeting unless:
 - (1) the dividend is more than six months in arrears, or
 - (2) the resolution is for winding-up the Company, or
 - (3) the resolution would vary the rights attached to such shares;
- (iv) Convertible Preference Shares will be convertible at the holder's option on 31st January in each of the years 1987 to 2006 on the basis of 20 new Ordinary Shares for every £17 nominal of Convertible Preference Shares; and

- (v) if after any conversion date 90 per cent. or more of the Convertible Preference Shares have been converted, the Company will be entitled to require conversion of the balance;
- (vi) Ordinary Shares resulting from conversion of Convertible Preference Shares will rank for all dividends declared or paid in respect of the financial year of the Company in which conversion occurs, but will not rank for dividends declared or paid in respect of any earlier financial year.

Application will be made to the Council of The Stock Exchange for the New Ordinary Shares and the Convertible Preference Shares to be admitted to the Official List. It is expected that provisional allotment letters will be posted on 12th February, 1986. Dealings in the New Ordinary Shares and the Convertible Preference Shares, nil paid, are expected to begin on 13th February, 1986. The offer of New Ordinary Shares and Convertible Preference Shares will remain open for acceptance until 3.00 p.m. on 7th March, 1986. Any New Ordinary Shares and Convertible Preference Shares not taken up will be sold in the market if a net premium (after expenses of sale) over the amount payable on acceptance can be obtained. Any such net premium will be distributed in due proportion by cheque among the Existing Ordinary Shareholders to whom such New Ordinary Shares and/or Convertible Preference Shares were provisionally allotted except that entitlements of less than £2 will not be distributed but will be retained for the benefit of the Company.

3 Issue of Warrants

Warrants to subscribe for new Ordinary Shares will be issued to holders of Existing Ordinary Shares on the register at the close of business on 5th February, 1986. The issue will be made on the basis of 2 Warrants for every 5 Existing Ordinary Shares then held, with fractions being rounded down to the nearest whole number. This will involve the issue of up to 23,718,986 Warrants. No payment will be required in respect of the Warrants unless and until subscription rights in relation to the Warrants are exercised.

Each Warrant will carry the right to subscribe for one new Ordinary Share at a price of 85p per share which will be exercisable on 31st January in each year. The first subscription date will be 31st January, 1987 and the last will be 31st January, 1996.

Ordinary Shares resulting from exercise of Warrants will rank for all dividends declared or paid in respect of the financial year of the Company in which exercise occurs, but will not rank for dividends declared or paid in respect of any earlier financial year.

Application will be made to the Council of The Stock Exchange for the Warrants, which will be issued in registered form, to be admitted to the Official List. It is intended that definitive Warrant certificates will be posted on 12th February, 1986 and that dealings in the Warrants will commence on 13th February, 1986.

Following the exercise of subscription rights under the Warrants the Board intends to apply to the Council of The Stock Exchange for the new Ordinary Shares resulting therefrom to be admitted to the Official List.

4 Subscriptions by UTC and Fiat

UTC and Fiat or their related companies have agreed to subscribe for a total of 500,000 Voting Preferred Ordinary Shares and 35,000,000 Non-voting Preferred Ordinary Shares for a consideration valued at 70p per share, which will be satisfied in part by the entering into of the Know-how Agreement described in paragraph 6 (c) of Part II and in part by the payment of £19.8 million in cash. The subscriptions will take effect on the last date for acceptance and payment in full under the Rights Issue. No application will be made for the Preferred Ordinary Shares to be listed on any stock exchange.

The rights attached to the Preferred Ordinary Shares are set out in full in the Resolution (on pages 29 to 34), from which it will be noted that:

- (a) as regards dividends and other distributions, the Preferred Ordinary Shares will rank *pari passu* with the Ordinary Shares;
- (b) on a winding up the assets of the Company will be applied, subject to the prior rights of the Convertible Preference Shares and in priority to any other application thereof, in repaying to holders of Preferred Ordinary Shares the nominal capital paid up on those shares together with a premium of 45p per share and, as regards any surplus remaining after paying the amounts due to holders of Convertible Preference Shares, Preferred Ordinary Shares and Ordinary Shares, the holders of Preferred Ordinary Shares shall share such surplus with holders of Ordinary Shares (proportionately to the numbers of such shares respectively held by them);

- (c) the Voting Preferred Ordinary Shares confer the right to vote as if they were Ordinary Shares; holders of Non-voting Preferred Ordinary Shares will not be entitled to vote in any circumstances;
- (d) at any time prior to 31st January, 2006 Voting Preferred Ordinary Shares may be converted into Ordinary Shares or Non-voting Preferred Ordinary Shares and Non-voting Preferred Ordinary Shares may be converted into Voting Preferred Ordinary Shares or Ordinary Shares;
- (e) if the aggregate nominal amount of outstanding Preferred Ordinary Shares falls below 10% of the aggregate nominal amount of outstanding Preferred Ordinary Shares and Ordinary Shares, all Preferred Ordinary Shares will automatically be converted into Ordinary Shares (subject to provisions for temporary suspension of such automatic conversion);
- (f) if a majority of the voting rights exercisable by the holders of Voting Preferred Ordinary Shares cease to be freely exercisable by UTC and any body corporate under its control, all outstanding Preferred Ordinary Shares will automatically be converted into Ordinary Shares;
- (g) on 31st January, 2006 all outstanding Preferred Ordinary Shares will automatically be converted into the like number of Ordinary Shares;
- (h) Voting Preferred Ordinary Shares confer the right to appoint a minimum of three Directors, with provision for upward adjustment by reference to the proportion which the outstanding Preferred Ordinary Shares bears to the aggregate nominal amount of issued Preferred Ordinary Shares and Ordinary Shares; and
- (i) any increase in share capital, issue of shares, reduction in share capital, other change in share capital structure, alteration to the Memorandum or Articles of Association or any sanction to alteration or suspension of the restrictions on exercise of borrowing powers contained in the Articles of Association will be an alteration to the special rights attached to the Voting Preferred Ordinary Shares.

5 Subscriptions for Stock

The Company will issue to UTC and Fiat or their related companies and the Banks a total of £20,000,000 of Stock, as consideration for the subscription of £18,000,000 in cash by UTC and Fiat and the discharge of £2,000,000 of indebtedness owing to the Banks.

The two classes of Stock are: (i) £18,000,000 nominal amount of UTC/Fiat Stock and (ii) £2,000,000 nominal amount of Banks' Stock. Each of the UTC/Fiat Stock and the Banks' Stock will be constituted by an instrument executed by the Company; a summary of the major provisions of such instruments is set out in paragraph 7 of Part II.

6 Financial effects

On the basis of Westland's net borrowings as at 27th December, 1985 (see page 14) and shareholders' funds as at 30th September, 1985, the adjusted *pro forma* percentage of net debt to shareholders' funds following the Reconstruction will fall from approximately 379 per cent. to approximately 43 per cent. A *pro forma* balance sheet of the Westland Group, adjusted to reflect the implementation of the Reconstruction, is set out on page 23.

PART II General information

1 Directors of Westland and responsibility for Further Supplementary Listing Particulars

- (a) The names, addresses and functions of the Directors of Westland are as follows:

Sir John Graham Cuckney (*Chairman, non-executive*)
 Sir John Devereux Treacher (*Vice-Chairman*)
 Hugh Parker Stewart (*Group Chief Executive*)
 The Rt. Hon. Lord Fanshawe (*Non-executive*)
 William Thomas Cavendish Miller (*Managing Director, Technologies Division*)
 Sir John Maldwyn Thomas (*Non-executive*)
 Charles David Verrall (*Group Finance Director*)

all of Westland Works, Yeovil, Somerset BA20 2YB.

- (b) UTC and Fiat have responsibility for the information contained in this document, the Listing Particulars and the Supplementary Listing Particulars regarding the UTC group and the Fiat group respectively. The Directors of Westland, whose names appear above, are the persons responsible for all other information contained in this document, the Listing Particulars and the Supplementary Listing Particulars. To the best of the knowledge and belief of the Directors of Westland (who have taken all reasonable care to ensure that such is the case), the information contained in this document, the Listing Particulars and the Supplementary Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information. UTC, Fiat and the Directors of Westland accept responsibility accordingly.

2 Material changes to Listing Particulars

Save as disclosed in this document, there have been no material changes to the information contained in the Listing Particulars and the Supplementary Listing Particulars.

3 Share capital of Westland

- (a) The following table shows the present authorised and issued share capital of Westland:

	<i>Authorised</i> £	<i>Issued and fully paid</i> £
Ordinary Shares of 25p each	20,000,000	14,824,366

- (b) The following table shows the authorised and issued share capital of Westland as it will be following implementation of the Reconstruction:

	<i>Authorised</i> £	<i>Issued and fully paid</i> £
Ordinary Shares of 25p each	32,000,000	up to 20,754,113
Voting Preferred Ordinary Shares of 25p each	125,000	125,000
Non-voting Preferred Ordinary Shares of 25p each	8,750,000	8,750,000
7½% Convertible Cumulative Preference Shares of £1 each	21,050,600	up to 21,050,600
	<u>61,925,600</u>	<u>50,679,713</u>

- (c) Save as disclosed in this document and in the Listing Particulars, the Directors have no present intention of issuing any part of the increased authorised share capital and no issue will be made which would effectively alter the control of the Company without prior approval of its shareholders in general meeting.
- (d) The 500,000 Voting Preferred Ordinary Shares, 35,000,000 Non-voting Preferred Ordinary Shares, 48,000,000 Ordinary Shares and 21,050,600 Convertible Preference Shares to be created and the 500,000 Voting Preferred Ordinary Shares, 35,000,000 Non-voting Preferred Ordinary Shares, the maximum of 23,718,986 New Ordinary Shares and the maximum of 21,050,600 Convertible Preference Shares to be issued as part of the Reconstruction, will be created and issued pursuant to the Resolution and

appropriate resolutions of the Board of Directors or a duly authorised committee thereof. The Resolution will have the effect, *inter alia*, of authorising the Directors pursuant to section 80 of the Companies Act 1985 to exercise all powers of the Company to allot shares in the capital of the Company up to a maximum nominal amount of £41,785,093 (such authority to expire at the commencement of the Company's Annual General Meeting to be held in 1986). The offers by way of rights of New Ordinary Shares and Convertible Preference Shares will be made in accordance with section 89 of the Companies Act 1985 which governs the rights of pre-emption of holders of relevant shares (as defined in section 94) and relevant employee shares (as so defined) over allotments of equity securities (as so defined).

4 Further details of the Rights Issue

- (a) The last date for which transfers will be accepted for registration for participation in the Rights Issue is 5th February, 1986.
- (b) It is expected that the New Ordinary Shares and the Convertible Preference Shares will be admitted to the Official List of The Stock Exchange on Thursday, 13th February, 1986 and that dealings in the nil paid rights to subscribe for New Ordinary Shares and Convertible Preference Shares to be allotted by way of rights will commence on that day.
- (c) Separate temporary documents of title (known as "provisional allotment letters") will be issued to members in respect of their entitlements to New Ordinary Shares and Convertible Preference Shares under the Rights Issue. Each of such provisional allotment letters represents the right to subscribe respectively for New Ordinary Shares and Convertible Preference Shares by way of rights and, once renounced by the shareholders originally entitled thereto, will become negotiable bearer documents. Provisional allotment letters representing entitlements to participate in the Rights Issue are expected to be posted to shareholders on Wednesday, 12th February, 1986.
- (d) The latest time and date for acceptance and payment in full is 3.00 p.m. on Friday, 7th March, 1986. To take up entitlements, provisional allotment letters, together with remittances for the full amount payable on acceptance, must be sent, in accordance with the instructions on the provisional allotment letters, to the receiving bankers to the Rights Issue, National Westminster Bank PLC, New Issues Department, P.O. Box 79, 2 Princes Street, London EC2P 2BD. Payment should be made by separate cheques in respect of entitlements under the Ordinary Issue and the Preference Issue. If payment in full is not received by 3.00 p.m. on Friday, 7th March, 1986, the relative provisional allotments will be deemed to have been declined and will lapse. Any New Ordinary Shares and Convertible Preference Shares not taken up will be sold in the market if a net premium (after expenses of sale) over the amount payable on acceptance can be obtained. Any such net premium will be distributed in due proportion by cheque among the Existing Ordinary Shareholders to whom such New Ordinary Shares and/or Convertible Preference Shares were provisionally allotted except that entitlements of less than £2 will not be distributed but will be retained for the benefit of the Company.
- (e) A shareholder originally entitled to a provisional allotment of New Ordinary Shares and Convertible Preference Shares who wishes to transfer all the shares comprised in the relative provisional allotment letter must complete and sign Form X on such letter and hand the letter to the transferee or to the stockbroker, bank or other agent who acts for such shareholder in the transaction. If such shareholder wishes to have some only of such shares registered in his name and to transfer the remainder, or to transfer all the shares but to different persons, he may have the letter split, for which purpose he must complete and sign Form X on such letter. The letter must then be lodged with the receiving bankers to the Rights Issue, National Westminster Bank PLC, at the address set out in sub-paragraph (d) above so as to be received not later than 3.00 p.m. on 5th March, 1986 (nil paid) and 3.00 p.m. on 9th April, 1986 (fully paid), to be cancelled and exchanged for the split letters required.

- (f) The rights to the New Ordinary Shares and the Convertible Preference Shares will be transferable by renunciation and thereafter by delivery of the relative provisional allotment letters until 3.00 p.m. on 11th April, 1986. After such time, pending receipt of definitive certificates (which are expected to be despatched on 9th May, 1986), transfers of New Ordinary Shares and Convertible Preference Shares will be certified against lodgement of fully paid provisional allotment letters and/or fully paid renounced documents in the possession of the Registrar. Thereafter New Ordinary Shares and Convertible Preference Shares (being in registered form) will be transferable by instrument of transfer in the usual or common form.

5 Interests in the share capital of Westland

The Directors have been notified of the following interests (within the meaning of Part VI of the Companies Act 1985) amounting to 5 per cent. or more in the ordinary share capital of the Company:

	Existing Ordinary Shares	%
A. E. Bristow	10,026,588	16.91
Hanson Trust PLC.. .. .	8,886,972	14.99

As at 24th January, 1986 (the latest practicable date before printing this document) the UTC group and the Fiat group (i) together owned 5,501,250 Existing Ordinary Shares and (ii) had entered into arrangements under which they may be required to purchase, on or after 19th February, 1986, a maximum of 2,528,236 Existing Ordinary Shares. These shares were acquired and these arrangements were entered into between 22nd and 24th January, 1986, at prices ranging between 132p and 151p per share.

6 Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Westland Group since 26th January, 1984 and are, or may be, material:

- (a) the material contracts referred to in paragraph 6 of Part IV of the Appendix to the Listing Particulars and previously made available for inspection;
- (b) the material contract referred to in paragraph 2 of Appendix III to the Supplementary Listing Particulars and previously made available for inspection;
- (c) an agreement ("the Master Agreement") dated 27th January, 1986 between the Company (1), UTC (2), Fiat (3), the Banks and International Westminster Bank PLC (4) and Lazard Brothers (5) whereunder:
 - (A) the Company and Lazard Brothers agreed to enter into the agreement referred to in sub-paragraph (d) below ("the Lazard Underwriting Agreement");
 - (B) the Company and the Banks agreed to enter into the agreement referred to in sub-paragraph (e) below ("the Banks' Underwriting Agreement");
 - (C) National Westminster Bank PLC and Barclays Bank PLC agreed to sign and deliver a substitute facility letter to the Company and certain of its subsidiaries and the Company agreed to accept and procure acceptance of such letter;
 - (D) UTC and Fiat agreed to subscribe or procure that UTC and/or Fiat and/or any related company of UTC or Fiat and/or a company wholly-owned by UTC and/or Fiat ("the Allottees") subscribe for 500,000 fully paid Voting Preferred Ordinary Shares and 35,000,000 fully paid Non-voting Preferred Ordinary Shares for a total consideration valued at £24,850,000, which will be satisfied by the entering into of the Know-how Agreement at the procurement of Fiat and by the payment of £19,850,000 in cash;
 - (E) in consideration of the issue of £2,000,000 nominal of Banks' Stock, the Banks agreed to discharge £2,000,000 of indebtedness owed to them; UTC and Fiat respectively agreed to subscribe, or procure the Allottees to subscribe, in cash at par, for £18,000,000 nominal of UTC/Fiat Stock; and the subscribers agreed at the Company's request at any time to the conversion of all outstanding Stock into (in the case of the Banks) 10% Cumulative Redeemable A Preference Shares and (in the case of UTC and Fiat) 10% Cumulative Redeemable B Preference Shares, each having substantially the same rights attached as those attached to such respective shares in the Listing Particulars;

- (F) UTC agreed to deliver to the Company a letter committing UTC to provide not less than 2,000,000 man hours of work to the Company over a five-year period; and
- (G) the Company and UTC agreed to enter into a licence agreement relating to the development, marketing and manufacture of the Black Hawk helicopter and a technical assistance agreement.

Certain events concerned with changes in control of Westland, other than changes in favour of UTC or its related companies, would entitle UTC to terminate or vary the commitment and agreements referred to in (F) and (G) above.

The subscriptions referred to in (D) and (E) above are conditional on: (i) the passing of the Resolution; (ii) the posting of the provisional allotment letters; (iii) there not having occurred a material breach of any of the warranties, representations and undertakings given in the Master Agreement (which include the warranties given by the Company in the Lazard Underwriting Agreement); and (iv) Lazard Brothers confirming to UTC, Fiat and the Banks that it agrees that the Lazard Underwriting Agreement is unconditional in all respects (save for condition (iii) referred to in subparagraph (d) below).

The Company has undertaken to UTC and Fiat that until such time as the whole of the outstanding Voting Preferred Ordinary Shares and Non-voting Preferred Ordinary Shares shall be converted into Ordinary Shares, the Company will not and will procure that its subsidiaries will not (without the consent of the Allottees):

- (i) enter into any Major Class 1 transaction (as defined by The Stock Exchange "Yellow Book");
- (ii) make any alteration to the present business of the Group which would constitute a significant change therein (provided that an extension of the business to allied and ancillary activities shall not be deemed to be such a change); or
- (iii) guarantee any present or future loan, debt or other obligation in the nature of moneys borrowed to any third party (other than a subsidiary and, in certain limited respects, any enterprise in which the Company or any of its subsidiaries has a 25 per cent. or more equity interest) otherwise than in the ordinary course of business.

The Banks have agreed not to vote (save for certain specified exceptions relating to reductions of capital, alteration of Memorandum or Articles of Association, winding up, removal of directors, meetings requisitioned by members, ordered by the court or called at the direction of the Secretary of State, alteration of borrowing limits and increases of authorised share capital or issue of securities carrying rights to acquire shares in the Company) at any general meeting of the Company in respect of any Ordinary Shares which they may own in future (and which they have acquired by virtue of conversion of Convertible Preference Shares acquired by the Banks pursuant to the Banks' Underwriting Agreement) and have also agreed to arrange the sale of any such shares through the Company's stockbrokers on the basis that no single purchaser or group of persons acting in concert shall acquire more than 5 per cent. of the Ordinary Shares in issue for the time being in such sale.

Pursuant to the Master Agreement and subject to the passing of the Resolution, the Company will issue the Warrants to holders of Ordinary Shares on the register on 5th February, 1986 on the basis of 2 Warrants for every 5 Ordinary Shares, subject to the terms and conditions set out in Part III.

Pursuant to the Master Agreement the Company is to enter into an agreement ("the Know-how Agreement") under which UTC will furnish to Westland the technical data and information as used by Sikorsky for the manufacture of the Black Hawk helicopter and spare parts and which additionally provides for a conditional waiver of royalty payments under the existing Sea King licence in the event of the licence agreement in respect of the Black Hawk helicopter not becoming effective within 180 days following its execution;

- (d) an agreement ("the Lazard Underwriting Agreement") dated 27th January, 1986 between Westland (1), the Directors of Westland (2) and Lazard Brothers (3), whereunder Lazard Brothers has underwritten the issue of up to 23,718,986 New Ordinary Shares by way of rights for a commitment commission of ½ per cent. of the gross proceeds of the issue of such shares and a commission of 1½ per cent. thereof, together with an additional commitment commission of ¼ per cent. thereof for every 7 days or part thereof from 26th February, 1986 until the earlier of the fourth day after

the last date for acceptance and payment and the date on which the obligations of Lazard Brothers thereunder shall cease and determine. Out of these commissions Lazard Brothers will pay sub-underwriting commissions of 1¼ per cent. of the gross proceeds of the issue, together with an amount equal to the additional commitment commission referred to above, a fee to Rowe & Pitman for their services as brokers to the issue of ¼ per cent. thereof and its own legal expenses. The Lazard Underwriting Agreement is conditional, *inter alia*, on: (i) the admission of the New Ordinary Shares allotted pursuant to the Ordinary Issue to the Official List of The Stock Exchange (subject to posting of provisional allotment letters); (ii) the passing of the Resolution; (iii) the obligations of Westland, UTC and the Banks in respect of the subscriptions pursuant to the Master Agreement having been fulfilled; (iv) the posting of the provisional allotment letters in respect of the New Ordinary Shares; and (v) none of the representations, warranties or confirmations given in the Lazard Underwriting Agreement having become untrue, inaccurate or misleading in a material respect in the context of the issue of the New Ordinary Shares by way of rights. If any of the conditions to which the Lazard Underwriting Agreement is subject are not satisfied or if Lazard Brothers rescinds the Lazard Underwriting Agreement pursuant to a material breach of warranty, representation or undertaking by the Company, the obligations of the Company and Lazard Brothers shall determine, save that the Company shall be obliged to pay a commission of ½ per cent. together with (if applicable) the additional commitment commission referred to above; and

- (e) an agreement ("the Banks' Underwriting Agreement") dated 27th January, 1986 between Westland (1) and the Banks (2) whereunder the Banks have underwritten the issue of up to 21,050,600 Convertible Preference Shares by way of rights for such fees as may be agreed between Westland and the Banks. The Banks' Underwriting Agreement is conditional, *inter alia*, on: (i) the admission of the Convertible Preference Shares allotted pursuant to the Preference Issue to the Official List of The Stock Exchange (subject to posting of provisional allotment letters); (ii) the passing of the Resolution; (iii) the obligations of Westland, UTC and the Banks in respect of the subscriptions pursuant to the Master Agreement having been fulfilled; (iv) the posting of the provisional allotment letters in respect of the Convertible Preference Shares; (v) there not having occurred (prior to the date on which the Master Agreement becomes unconditional) a material breach of any of the warranties, representations and undertakings given by the Company pursuant to the Master Agreement (which include the warranties given in the Lazard Underwriting Agreement); and (vi) Lazard Brothers confirming to the Banks that Lazard Brothers irrevocably agrees that the Lazard Underwriting Agreement has become unconditional in all respects (save for the condition (iii) referred to in sub-paragraph (d) above).

7 The Stock

The instruments to be entered into by the Company pursuant to the Master Agreement constituting the UTC/Fiat Stock and the Banks' Stock will include, *inter alia*, provisions to the following effect:—

- (a) the Stock will be issued in amounts and multiples of £1 and will constitute unsecured and subordinated obligations of the Company, the claims of holders of the Stock being postponed to the claims of all other creditors of the Company (other than subordinated creditors). In the event of a winding up of the Company, the UTC/Fiat Stock and the Banks' Stock will rank *pari passu* in all respects. The instruments constituting the Stock will not contain any restrictions on borrowing money or charging or disposing of assets or changes in the nature of its business by the Company or on the issue of further stock except as referred to in sub-paragraph (e)(i) below;
- (b) interest will be due for payment on the principal amount of the Stock outstanding, semi-annually in arrears on 31st May and 30th November (an "Interest Payment Date") in each year except that the first payment of interest will not be due for payment until 30th November, 1986 in respect of the period from the date on which the Company receives the relevant subscription moneys until 30th November, 1986. Interest on the Stock, at the rate of 15 per cent. per annum, will accrue on a day-to-day basis during such period. Any failure to make any payment of interest on an Interest Payment Date falling prior to 30th November, 1990 or such earlier date upon which the Stock becomes repayable in full (the "Obligatory Interest Payment Date"), will not constitute a default by the Company for any purpose or give rise to any right of action whatsoever against the Company;

- (c) the Stock will be repaid at par together with accrued interest as follows:
- (i) in the case of the UTC/Fiat Stock, on 31st January in each of the years 1994, 1995, 1996 and 1998 by the repayment of £1,428,571, £1,428,571, £2,142,858 and £13,000,000 on the respective date; and
 - (ii) in the case of the Banks' Stock, on 31st January in each of the years 1994, 1995 and 1996 by the repayment of £571,429, £571,429 and £857,142 on the respective date.

In addition the Company may at any time repay Stock at par together with accrued interest. All Stock repaid by the Company will be cancelled and will not be re-issued;

- (d) the Company may at any time purchase the whole or any part of the Stock either by tender or by private treaty or otherwise at any price;
- (e) a holder of either the UTC/Fiat Stock or the Banks' Stock may, with the sanction of the holders of not less than 75 per cent. in nominal value of the UTC/Fiat Stock or the Banks' Stock (as the case may be) institute proceedings with a view to winding up the Company in certain circumstances which include as follows:
- (i) the restrictions on the exercise of the borrowing powers of the Company being altered or suspended by the Company; or
 - (ii) any interest on the Stock due for payment on an Interest Payment Date falling prior to the Obligatory Interest Payment Date remaining unpaid on the Obligatory Interest Payment Date; or
 - (iii) any interest on the Stock due for payment on an Interest Payment Date falling on or after the Obligatory Interest Payment Date remaining unpaid on such Interest Payment Date; or
 - (iv) a dividend (whether interim or final) referable to a financial year of the Company is paid on any class of shares by the Company at any time when any interest on the Stock due for payment on an Interest Payment Date falling in such financial year remains unpaid; or
 - (v) any of the Stock not being repaid at the expiry of the period of 30 days after the relevant repayment date;
- (f) the provisions of the instruments constituting the UTC/Fiat Stock and the Banks' Stock and the rights of the holders of the relevant Stock may be modified by means of a resolution passed at a meeting of the holders of the relevant Stock by a majority consisting of not less than 75 per cent. of the voting rights exercised at the meeting;
- (g) the Stock will be registered and transferable in amounts and integral multiples of £1. No application has been or is intended to be made to any stock exchange for the Stock to be listed; and
- (h) the Stock and the instruments constituting the Stock will be governed by English law.

The UTC/Fiat Stock and the Banks' Stock will, pursuant to the Master Agreement, be subscribed in full by UTC and Fiat and by the Banks respectively.

8 The current trading position

The Company is still at an early stage in its current financial year and it is too soon to comment on the likely outcome. Although markets remain very competitive, several existing customers have expressed interest in further helicopter purchases. Product support orders for in-service helicopters continue to meet the Company's expectations.

In relation to the proposed purchase of 21 Westland 30 helicopters by the Oil and National Gas Commission of India, it has been announced by the Indian Government that such a contract has been awarded to Westland; however, legal documentation has yet to be concluded.

The difficulties encountered by one of the principal sub-contractors on a major export contract, which were referred to in paragraph 3(iv) on page 19 of the Listing Particulars, have been further examined and the sub-contractor has reaffirmed the delivery dates for the equipment concerned. Although the possibility of further delays to the programme and consequential further losses on the contract remain, the Directors, having taken account of the assurances received from the sub-contractor, continue to believe that no additional provision beyond the £20 million already provided is required in respect of this possibility.

9 Indebtedness

The Westland Group had the following borrowings outstanding, contingent liabilities and guarantees at the close of business on 27th December, 1985:

(a) Borrowings

	Secured £m	Unsecured £m	Total £m
Debenture Stocks			
6% Debenture Stock 1983/1988	0.9	—	0.9
7¾% Debenture Stock 1987/92	2.3	—	2.3
12¾% Debenture Stock 2008	30.0	—	30.0
Term loans			
Repayable within one year	—	2.2	2.2
Repayable after more than one year	—	7.6	7.6
Bank overdrafts.. .. .	46.8	0.4	47.2
	<u>80.0</u>	<u>10.2</u>	<u>90.2</u>

Foreign currency borrowings have been translated at the rates of exchange ruling at the close of business on 27th December, 1985.

- (b) At 27th December, 1985 cash at bank and in hand amounted to £5.6 million.
- (c) Outstanding leasing commitments relating to finance leases and lease purchase agreements, net of finance charges, at 27th December, 1985 amounted to £7.6 million.
- (d) Under the terms of cost sharing arrangements with H.M. Government, launch aid is provided to the Company relating to the commercial EH101 programme. These arrangements can be terminated either by the Company or the Government in certain circumstances. In such event the Government may be entitled to repayment in whole or in part of the launch aid contributions, the amount of which received to 27th December, 1985 was £6 million, together with interest thereon.
- (e) In the ordinary course of business, the Group from time to time enters into contracts, some of which account for a substantial part of the consolidated turnover. In connection with these contracts, particularly with overseas customers, the Group is required to undertake significant obligations in relation to the performance and financing of the contracts. At 27th December, 1985 these and other guarantees amounted to £98 million.
- (f) A subsidiary of the Company is involved in arbitration and court proceedings, as disclosed in paragraph 7(a) on page 31 of the Listing Particulars, in respect of which there has been no material change since 22nd November, 1985 and the Directors are satisfied that no provision need be made.
- (g) Save as disclosed above and apart from intra-group liabilities, at 27th December, 1985 the Westland Group had no loan capital outstanding or created but unissued nor any term loans nor any other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, hire purchase commitments, or guarantees or material contingent liabilities.

10 Working capital

The Directors of Westland are of the opinion that following the Reconstruction the Westland Group will, taking into account its revised borrowing and bonding facilities, have sufficient working capital for its present requirements.

11 Miscellaneous

- (a) The estimated cash proceeds accruing to Westland from the issue of up to 23,718,986 New Ordinary Shares and up to 21,050,600 Convertible Preference Shares pursuant to the Rights Issue is £35.2 million (£31.2 million after expenses). The net proceeds of the Rights Issue are to be used to reduce the Westland Group's dependence on bank borrowings. The overall amount of expenses payable by Westland in relation to the Reconstruction is estimated at £4.0 million. Of this sum, £0.3 million represents underwriting commissions in respect of the Ordinary Issue.
- (b) The Ordinary Issue has been underwritten by Lazard Brothers & Co., Limited, bankers, whose address is 21 Moorfields, London EC2P 2HT. The Preference Issue has been jointly underwritten by National Westminster Bank PLC, whose address is 41 Lothbury, London EC2P 2BP, Barclays Bank PLC, whose address is 54 Lombard Street, London EC3P 3AH and Lazard Brothers & Co., Limited.

- (c) Under the terms of the Master Agreement: (i) the Company will issue £4,420 nominal of Banks' Stock to Lazard Brothers and in consideration for such issue the Company shall stand discharged from its liability to Lazard Brothers in respect of £4,420 of its indebtedness; and (ii) the moneys arising from the Rights Issue, the issue of Preferred Ordinary Shares to UTC and Fiat and the issue of the Stock is to be applied (to the extent necessary) in discharge of the Company's liability to Lazard Brothers in respect of the balance of indebtedness.
- (d) The price of 60p per share at which the New Ordinary Shares are proposed to be issued pursuant to the Ordinary Issue represents an issue premium of 35p per share over the nominal value of 25p. The Convertible Preference Shares are to be issued at par.

12 United Kingdom taxation

Under current United Kingdom taxation legislation, no tax will be withheld from dividend payments by Westland but Westland will have to account to the United Kingdom Inland Revenue for advance corporation tax (currently at the rate of $\frac{3}{4}$ ths of the amount of the dividend) when it pays any dividend (except to the extent that it is in receipt of franked investment income).

A United Kingdom resident individual shareholder will be entitled to a tax credit in respect of any dividend received, which is currently equivalent to $\frac{3}{4}$ ths of the amount of the dividend. Both the amount of the dividend received by an individual and the tax credit are included in arriving at the individual's total income for United Kingdom taxation purposes. The tax credit is then set against the individual's overall income tax liability and may be repaid in whole or in part to the extent that his total tax credits exceed his overall income tax liability. A United Kingdom resident corporate shareholder will not be charged to United Kingdom taxation on any dividend received.

Whether the recipients of dividends from Westland who are resident in countries other than the United Kingdom will be entitled to a payment from the Inland Revenue of a proportion of the tax credit in respect of such dividends depends in general on the provisions of any double tax convention which may exist between the country of residence of the recipient and the United Kingdom. Persons who are not resident in the United Kingdom should consult their own tax advisers on the possible applicability of such provisions, the procedure for claiming payment and as to the relief or credit that may be claimed in a jurisdiction in which they are subject to taxation.

For the purpose of United Kingdom taxation of capital gains, any New Ordinary Shares which shareholders take up under the Rights Issue will constitute an addition to the shareholder's existing holding, the base cost of which will be deemed to have been increased by the amount of the subscription monies.

The provisions of the Finance Act 1982 and the Finance Act 1985, which permit an indexation allowance to be added to the base cost of assets in computing any chargeable gain on their disposal, may affect the computation of any chargeable gain on the disposal of the New Ordinary Shares.

A disposal of all or any of the New Ordinary Shares and Convertible Preference Shares for which a shareholder is entitled to subscribe or his rights thereto, or the lapse of any rights and receipt of a cash payment in respect thereof, may, depending on the circumstances, result in a shareholder incurring a liability to capital gains tax.

The receipt of the Warrants will not give rise to a disposal of Existing Ordinary Shares for the purposes of United Kingdom taxation of capital gains and the Warrants will be regarded as part of each shareholder's total holding. For the purposes of calculating gains or losses on any subsequent disposals of either shares or Warrants, the original cost will be allocated between the shares and Warrants by reference to their respective quoted values on 13th February, 1986.

Any person in any doubt as to his position should consult his professional adviser.

13 Overseas shareholders

(a) General

In accordance with Section 90(5) of the Companies Act 1985, the offers by way of rights to shareholders who have no registered address in the United Kingdom and who have not given to the Company an address in the United Kingdom for the service of notices, will be made by the Company publishing a notice in the London Gazette on 13th February, 1986 stating where copies of this document, the Warrant certificates and the provisional allotment letters which are expected to be despatched to shareholders on 12th February, 1986 may (subject to the passing of the Resolution) be inspected or obtained on personal application by or on behalf of such shareholders. However, in order to facilitate acceptance of the offers by way of rights made to such shareholders by virtue of such publication, provisional allotment letters and also Warrant certificates are expected to be posted to such shareholders (other than those referred to in sub-paragraph (b) below) on 12th February, 1986. Accordingly, such shareholders may accept the offer by way of rights either by returning the provisional allotment letters posted to them in accordance with the instructions set out therein or (subject to surrendering the original provisional allotment letters so posted to them) by obtaining copies thereof from the place stated in the notice and returning them in accordance with the instructions set out therein. Overseas shareholders may also obtain Warrant certificates from the place stated in the notice.

(b) United States and Canada

Neither provisional allotment letters nor Warrant certificates will be sent to shareholders with registered addresses in Canada or the United States of America or its territories or possessions who have not given the Company an address within the United Kingdom for the giving of notice, since to do so would require compliance with the relevant securities laws of those countries. Instead, the offer by way of rights will be made to such shareholders by means of the notice in the London Gazette referred to above.

(c) South Africa

In order to comply with South African law, provisional allotment letters sent to shareholders with registered addresses in South Africa will be non-renounceable. Such shareholders will require the approval of the South African exchange control authorities if they wish to take up their rights.

(d) Republic of Ireland

The attention of shareholders resident in the Republic of Ireland is drawn to the Irish exchange control regulations applicable to holders of United Kingdom securities. Shareholders wishing to take up their rights should consult an approved agent in the Republic of Ireland (i.e. a bank, stockbroker or solicitor) to ensure that they obtain the necessary permission to enable them to take up their allotments.

(e) Other overseas territories

Shareholders resident in other overseas territories should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up New Ordinary Shares and Convertible Preference Shares provisionally allotted to them.

14 Documents available for inspection

Copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays and public holidays excepted) at the offices of Slaughter and May, 35 Basinghall Street, London EC2V 5DB until 7th March, 1986:

(a) the Memorandum and Articles of Association of Westland;

(b) the material contracts referred to in paragraph 6 above;

(c) the service contracts referred to in paragraph 5 of Part IV of the Appendix to the Listing Particulars;

(d) the consolidated audited accounts of the Westland Group for the two financial years ended 30th September, 1984, the interim statement of the Westland Group for the six months ended 31st March, 1985 and the announcement dated 19th December, 1985 containing the preliminary announcement of the results for the year ended 30th September, 1985;

- (e) the trust deed dated 14th March, 1963 made between the Company and others and Schroder Executor & Trustee Company Limited; the trust deed supplemental thereto dated 9th December, 1963 between the same parties; the supplemental trust deed dated 7th June, 1967 between the Company and Schroder Executor & Trustee Company Limited; the trust deed dated 4th July, 1983 between the Company and another and Commercial Union Assurance Company plc and the trust deed dated 27th July, 1983 and made between the same parties;
- (f) the consent letter referred to in paragraph 7(h) of Part IV of the Appendix to the Listing Particulars;
- (g) the annual report of UTC for the year ended 31st December, 1984;
- (h) the consolidated financial statement of Fiat S.p.A. for the year ended 31st December, 1984;
- (i) the Listing Particulars; and
- (j) the Supplementary Listing Particulars.

PART III Particulars of the Warrants

The terms and conditions attaching to the Warrants will be as follows:

1 Definitions

In these particulars the following expressions have the following meanings:—

“the Warrants” means the warrants to subscribe for Ordinary Shares

“Ordinary Shares” means ordinary shares of 25p each (and in the event of a reduction of capital of such ordinary shares of 25p each, ordinary shares of the reduced nominal value resulting therefrom) in the Company

“Extraordinary Resolution” means a resolution proposed at a meeting of the Warrant holders duly convened and held and passed by a majority consisting of not less than three-fourths of the votes cast, whether on a show of hands or on a poll

“the Warrant holders” means the persons for the time being entered in the register maintained pursuant to paragraph 7 as the holders of the Warrants or (as the context may require) a specific portion thereof

“Subscription Rights” means the right to subscribe for Ordinary Shares of the Company pursuant to the Warrants

“the Subscription Price” means the price of 85p per Ordinary Share at which the Subscription Rights are exercisable on each of the Subscription Dates

“the Subscription Date” means 31st January in each year, the first Subscription Date being 31st January, 1987 and the last 31st January, 1996 or if the audited accounts of the Company for its then immediately preceding financial year are despatched to shareholders later than 15th January in any such year, the date which is 30 days after the date on which such audited accounts are so despatched. Provided that if the Company shall change its accounting reference date from 30th September there shall be substituted for the said 31st January, the date falling 4 months after the new accounting reference date

“Preferred Ordinary Shares” means the Voting Preferred Ordinary Shares and the Non-voting Preferred Ordinary Shares as defined in the Notice of Extraordinary General Meeting dated 27th January, 1986.

2 Subscription Rights

- (a) Every Warrant holder shall have Subscription Rights to subscribe in cash on each Subscription Date for all or any of the number of Ordinary Shares specified on the face of the Warrant at the Subscription Price, payable in full on subscription. The number and/or nominal value of Ordinary Shares to be subscribed and the Subscription Price will be subject to adjustment as provided in paragraph 3.
- (b) The Subscription Rights will not be exercisable in respect of a fraction of an Ordinary Share.
- (c) In order to exercise the Subscription Rights in whole or in part a Warrant holder must on or within 28 days prior to the relevant Subscription Date lodge the Warrant at the office of the Registrars of the Company, having completed the notice of subscription thereon, accompanied by a remittance for the Subscription Price of the Ordinary Shares in respect of which the Subscription Rights are being exercised. Once lodged, a notice of subscription shall be irrevocable save with the consent of the Directors. Compliance must also be made with any statutory requirements for the time being applicable. Warrants in respect of which Subscription Rights have been exercised will be cancelled.
- (d) Not earlier than 6 weeks nor later than 4 weeks before each Subscription Date the Company shall give notice in writing to the Warrant holders reminding them of their Subscription Rights.
- (e) Ordinary Shares issued pursuant to the exercise of Subscription Rights will be allotted not later than 14 days after and with effect from the relevant Subscription Date and certificates in respect of such Ordinary Shares will be despatched (at the risk of the person entitled thereto) not later than 28 days after the relevant Subscription Date to the person in whose name the Warrants in respect of which Subscription Rights are exercised are registered at the date of such exercise or to such other person as may be named in the form of nomination attached to the Warrant. In the event of a partial exercise of a Warrant holder's Subscription Rights the Company shall at the same time issue a fresh Warrant in the name of the holder for any balance of his Subscription Rights remaining exercisable.

- (f) Ordinary Shares allotted pursuant to the exercise of Subscription Rights will not rank for any dividends or other distributions declared, made or paid in respect of any financial year of the Company prior to the financial year current at the relevant Subscription Date but subject thereto will rank in full for all dividends and (save insofar as an adjustment has been made in respect thereof under sub-paragraph 3(a) or under sub-paragraph 3(b) below) other distributions declared after the relevant Subscription Date and *pari passu* in all other respects with the Ordinary Shares in issue at that date provided that on any allotment falling to be made pursuant to sub-paragraphs 4(f) or 4(g) the Ordinary Shares so to be allotted shall not rank for any dividend or other distribution made or paid prior to allotment in respect of the then current financial year.
- (g) The Company will apply to the Council of The Stock Exchange for the Ordinary Shares allotted pursuant to any exercise of Subscription Rights to be admitted to the Official List and use all reasonable endeavours to obtain the grant of listing not later than 14 days after the relevant Subscription Date.
- (h) If immediately after any Subscription Date and after giving effect to the Subscription Rights exercised on that date, Subscription Rights under the Warrants shall have been exercised in respect of 75 per cent. or more of the Ordinary Shares to which such rights relate, the Company shall be entitled at any time thereafter to give to the remaining Warrant holders then outstanding not less than 30 days' notice of the fact that such percentage has been exercised and at the expiration of such notice (which shall be regarded as a Subscription Date) the Warrant holders shall be entitled to exercise their Subscription Rights in accordance with the provisions of this paragraph 2. Failing such exercise the Company shall be entitled to appoint a trustee in accordance with the provisions of sub-paragraph 2(i) below as if references to "the final Subscription Date" therein shall be a reference to the Subscription Date first referred to in this sub-paragraph 2(h).
- (i) Within 7 days following the final Subscription Date the Company will appoint a trustee who, provided that in his opinion the net proceeds of sale after deduction of all costs and expenses incurred by him will exceed the costs of subscription, shall within 14 days following the final Subscription Date exercise such Subscription Rights as have not been exercised on the terms on which the same could have been exercised on the final Subscription Date and sell in the market the Ordinary Shares acquired on such subscription. The trustee shall distribute *pro rata* the proceeds less such subscription costs and such other costs and expenses to the persons entitled thereto at the risk of such persons within 2 calendar months of the final Subscription Date, provided that entitlements of under £2 shall be retained for the benefit of the Company.

3 Adjustment of Subscription Rights

- (a) After any allotment of fully paid Ordinary Shares by way of capitalisation of profits or reserves to holders of the Ordinary Shares on the register on a date (or by reference to a record date) on or before the final Subscription Date or upon any sub-division or consolidation of the Ordinary Shares on such a date, the number and/or nominal value of Ordinary Shares to be subscribed on any subsequent exercise of the Subscription Rights will be increased or, as the case may be, reduced in due proportion and the Subscription Price will be adjusted accordingly, with effect from the record date of such capitalisation, sub-division or consolidation. On any such capitalisation, sub-division or consolidation the auditors for the time being of the Company shall certify the appropriate adjustments and, within 28 days thereafter, notice will be sent to each Warrant holder together with a Warrant in respect of any additional Ordinary Shares for which that Warrant holder is entitled to subscribe in consequence of such adjustments, fractional entitlements being ignored.
- (b) If, on a date (or by reference to a record date) on or before the final Subscription Date, the Company makes any offer or invitation (whether by rights issue or otherwise but not being an offer to which sub-paragraph 4(f) below applies) to the holders of the Ordinary Shares, or any offer or invitation (not being an offer to which sub-paragraph 4(g) below applies) is made to such holders otherwise than by the Company, then the Company shall, so far as it is able, procure that at the same time the same offer or invitation is made to the Warrant holders as if their Subscription Rights had been exercisable and had been exercised on the day immediately preceding the date or record date of such offer or invitation on the basis then applicable, provided that if the Directors so resolve in the case of any such offer or invitation made by the Company, the Company shall not be required to procure that the same offer or invitation is made to the Warrant holders but the Subscription Price shall be adjusted: (i) in the case of

an offer of new Ordinary Shares for subscription by way of rights at a price less than the market price of Ordinary Shares at the date of announcement of the terms of the offer, by multiplying the Subscription Price in force immediately before such announcement by a fraction of which the numerator is the number of Ordinary Shares outstanding on the date of such announcement plus the number of Ordinary Shares which the aggregate of the amount (if any) payable for the rights and of the amount payable for the total number of Ordinary Shares comprised therein would purchase at such market price and the denominator is the number of Ordinary Shares outstanding on the date of announcement of the terms of the offer plus the aggregate number of Ordinary Shares offered for subscription; and (ii) in any other case, in such manner as the Auditors certify to be fair and reasonable. Any such adjustment shall become effective as at the record date for the offer or invitation. For the purposes of this proviso "market price" shall mean the average of the quotations published in The Stock Exchange Daily Official List for one Ordinary Share for the five consecutive business days ending on the business day immediately preceding the day on which the market price is to be ascertained. The Company shall give notice to Warrant holders within 28 days of any adjustment made pursuant to this sub-paragraph 3(b), fractional entitlements being ignored.

4 Other provisions

So long as any Subscription Rights remain exercisable:—

- (a) the Company shall not (i) make any distribution of capital profits or capital reserves except by means of a capitalisation issue in the form of fully paid Ordinary Shares or (ii) issue securities by way of capitalisation of profits or reserves except fully paid Ordinary Shares issued to holders of its Ordinary Shares or (iii) on or by reference to a record date falling within the period of 6 weeks ending on any Subscription Date make any such offer or invitation as is referred to in sub-paragraph 3(b) above (except by extending to Warrant holders any such offer);
- (b) the Company shall not in any way modify the rights attached to its existing Ordinary Shares as a class (but nothing herein shall restrict the right of the Company to increase or to consolidate, sub-divide or reduce its share capital), or create or issue any new class of equity share capital (as defined in Section 744 of the Companies Act 1985) (save for Preferred Ordinary Shares) which carries rights as regards voting, dividend or return of capital more favourable than those attaching to the Ordinary Shares other than shares issued in connection with or pursuant to any employee's share scheme approved by the Company in General Meeting;
- (c) the Company shall not issue any Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves nor make any such offer as is referred to in sub-paragraph 3(b) above if as a result the Company would on any subsequent exercise of the Subscription Rights be obliged to issue Ordinary Shares at a discount;
- (d) the Company shall not (except with the sanction of an Extraordinary Resolution and except for a reduction not involving any payment to shareholders) reduce its share capital or any uncalled or unpaid liability in respect of any of its share capital or (except as authorised by Section 130(2) or Section 170(4) of the Companies Act 1985) any share premium account or capital redemption reserve;
- (e) the Company shall keep available for issue sufficient authorised but unissued share capital to satisfy in full all Subscription Rights remaining exercisable;
- (f) if at any time an offer or invitation is made by the Company to the holders of the Ordinary Shares for the purchase by the Company of any of its Ordinary Shares, the Company shall simultaneously give notice thereof to the Warrant holders and each Warrant holder shall be entitled, at any time whilst such offer or invitation is open for acceptance, to exercise his Subscription Rights on the basis applicable on the day immediately preceding the record date for such offer as if such day were a Subscription Date;
- (g) subject to sub-paragraph 4(h) below, if at any time an offer is made to all holders of equity share capital of the Company (as the same is defined in Section 744 of the Companies Act 1985) (or all such holders other than the offeror and/or any company controlled by the offeror and/or person acting in concert with the offeror) to acquire the whole or any part of such equity share capital of the Company and the Company becomes aware that as a result of such an offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a General Meeting of the Company has or will become vested in the offeror and/or such persons or companies as aforesaid, the Company shall give notice to the Warrant holders of such vesting within 14 days of its becoming so aware, and each Warrant holder shall be entitled, at any time

within the period of 30 days immediately following the date of such notice, to exercise his Subscription Rights on the basis applicable on the day immediately preceding the record date for such offer as if such day were a Subscription Date; the publication of a scheme of arrangement under Section 425 of the Companies Act 1985 providing for the acquisition by any person of the whole or any part of such equity share capital of the Company shall be deemed to be the making of an offer for the purposes of this subparagraph 4(g);

- (h) if an offer is made as referred to in sub-paragraph 4(g) above whereunder the consideration consists solely of the issue of ordinary shares of the offeror and the offeror makes available an offer of warrants to subscribe ordinary shares of the offeror in exchange for the Warrants which the financial advisers to the Company consider in their opinion (acting as experts and not as arbitrators) is fair and reasonable (having regard to the terms of the offer and any other circumstances which may appear to the financial advisers to be relevant), then any Director of the Company shall be authorised as attorney for the Warrant holders: (i) to execute a transfer thereof in favour of the offeror in consideration of the issue of warrants to subscribe for ordinary shares of the offeror as aforesaid whereupon all the Warrants shall lapse and (ii) to do such acts and things as may be necessary or appropriate in connection therewith; subject in all circumstances to the offer by the offeror as aforesaid becoming or being declared wholly unconditional and the offeror being in a position compulsorily to acquire the whole of the Ordinary Share capital of the Company;
- (i) if an order is made or an effective resolution is passed for winding up the Company (except for the purpose of reconstruction, amalgamation or unitisation on terms sanctioned by an Extraordinary Resolution), each Warrant holder will (if, in such winding up and on the basis that all Subscription Rights then unexercised had been exercised in full and the subscription moneys therefor had been received in full by the Company, there would be a surplus available for distribution amongst the holders of the Ordinary Shares which, on such basis, would exceed in respect of each Ordinary Share a sum equal to the Subscription Price) be treated as if immediately before the date of such order or resolution his Subscription Rights had been exercisable and had been exercised in full, on the basis applicable on the day immediately preceding the date of such order or resolution as if such date were a Subscription Date, and shall accordingly be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the Ordinary Shares such a sum as he would have become entitled by virtue of such subscription after deducting a sum per Ordinary Share equal to the Subscription Price; subject to the foregoing all Subscription Rights shall lapse on liquidation of the Company;
- (j) the Company shall not change its financial year end from 30th September without giving to the Warrant holders not less than two months' notice thereof and of the new date to be substituted for 31st January in paragraph 1 above.

5 Modification of Rights

All or any of the rights for the time being attached to the Warrants may from time to time (whether or not the Company is being wound up) be altered or abrogated with the sanction of an Extraordinary Resolution. All the provisions of the Articles of Association for the time being of the Company as to General Meetings shall *mutatis mutandis* apply as though the Warrants were a class of shares forming part of the capital of the Company but so that (a) the necessary quorum shall be the Warrant holders present (in person or by proxy) entitled to acquire one-third in nominal amount of the Ordinary Shares attributable to such outstanding Warrants, save that if at any meeting a quorum is not present such meeting shall be adjourned to a time and place directed by the Chairman and at such adjourned meeting those Warrant holders present (in person or by proxy) shall constitute a quorum, (b) every Warrant holder present in person at any such meeting shall be entitled on a show of hands to one vote and every Warrant holder present in person or by proxy shall be entitled on a poll to one vote for every Ordinary Share for which he is entitled to subscribe and (c) any Warrant holder present in person or by proxy may demand or join in demanding a poll.

6 Purchase

The Company or any subsidiary thereof shall have the right to purchase Warrants in the market or by tender available to all Warrant holders alike at any price or by private treaty at a price not more than 10 per cent. in excess of the middle market quotation for the Warrants (as derived from The Stock Exchange Daily Official List) on the previous dealing day. All Warrants so purchased shall forthwith be cancelled and shall not be available for reissue or resale.

7 Transfer

The provisions of the Articles of Association of the Company relating to the registration and transfer of shares shall *mutatis mutandis* apply to the Warrants. Each Warrant and the Subscription Rights thereby represented will be registered and will be transferable in whole or in part by instrument of transfer in any usual or common form or in any other form which may be approved by the Directors. No transfer of a right to subscribe for a fraction of an Ordinary Share of the Company may be effected.

8 General

The Company will concurrently with the issue of the same to its Ordinary Shareholders send to each registered Warrant holder (or in the case of joint holders to the first named) a copy of each published annual report and accounts of the Company, together with all documents required by law to be annexed thereto, and copies of all other documents issued by the Company to Ordinary Shareholders.

References in these particulars to any statutory provision shall be deemed to include any statutory modification or re-enactment thereof.

PART IV Pro-forma consolidated balance sheet following the Reconstruction

The following pro-forma consolidated balance sheet of the Westland Group is based upon the audited consolidated balance sheet of the Westland Group at 30th September, 1985, adjusted to reflect the implementation of the Reconstruction on the basis that:

- (i) the monies received from the Reconstruction have been applied firstly against term loans and overdrafts repayable within one year (£32.8 million) and the balance of £38.2 million included within cash at bank and in hand;
- (ii) the cost of the Know-how Agreement has been capitalised and, for purposes of illustration, included within fixed assets as an intangible asset of £5.0 million;
- (iii) the expenses of the Reconstruction (£4.0 million) have been applied against the share premium account; and
- (iv) no account has been taken of the effects of the exercise, between 1987 and 1996, of the Warrants—on full exercise a further £20.1 million will become available to the Westland Group.

	£m	£m
Fixed assets		102.1
Current assets:		
Stocks	114.8	
Debtors	72.5	
Cash at bank and in hand	40.1	
	227.4	
Current liabilities.. .. .	(99.3)	
Net current assets		128.1
Total assets less current liabilities		230.2
Long-term liabilities:		
Subordinated loan stock	(20.0)	
Other borrowings	(42.2)	
Other liabilities and provisions	(75.8)	
		(138.0)
		92.2
Called-up share capital		50.6
Share premium account		21.3
Revaluation reserve		23.1
Other reserves		3.3
Profit and loss account		(20.0)
		78.3
Minority interest		13.9
		92.2

PART V Summary of shareholdings following the Reconstruction and new capital

The table below assumes full take-up by Existing Ordinary Shareholders of the Ordinary Issue and the Preference Issue, full conversion of the Convertible Preference Shares and full exercise of the Warrants:

	On full dilution number of shares	% of ordinary share capital		Additions to capital base (before expenses)
		Pre- conversion and Warrant exercise	Fully diluted	
	<i>m</i>			<i>£m</i>
Existing Ordinary Shares	59.3			
Rights issue of New Ordinary Shares	23.7			14.2
	83.0	70.1		
Rights issue of Convertible Preference Shares (note i) ..	24.7			21.0
Issue of Warrants (note ii) ..	23.7			
	131.4		78.7	
Subscription by UTC and Fiat for Preferred Ordinary Shares (notes iii & iv)	35.5	29.9	21.3	24.8
	166.9	100.0	100.0	
Subordinated Loan Stock (£20 million nominal)				20.0
				80.0

Notes:

- (i) The Banks have underwritten the Preference Issue. If Existing Ordinary Shareholders do not take up their rights under the Preference Issue the Banks would, on full conversion of the Convertible Preference Shares, hold 15% of the ordinary share capital of the Company: Existing Ordinary Shareholders would then hold 64% of the ordinary share capital.
- (ii) On full exercise of the Warrants the Company will receive a further £20.1 million, which is not reflected in the financial figures in the above table.
- (iii) The subscription by UTC and Fiat for Preferred Ordinary Shares will be satisfied partly by the entering into of the Know-how Agreement (£5.0 million) and partly in cash (£19.8 million).
- (iv) The shareholdings do not take into account the UTC and Fiat interests recently notified to the Company and referred to in paragraph 5 of Part II.

PART VI Chairman's Circular

The following is an extract from the Chairman's Circular sent to shareholders on 27th January, 1986:

“

WESTLAND plc

(Registered in England No. 302632)

Registered Office:
Westland Works
Yeovil
Somerset BA20 2YB

27th January, 1986

Dear Shareholder,

This document explains our amended proposals for a capital reconstruction and an association with UTC and Fiat. These can be approved by a simple majority of votes. Westland remains in a precarious financial condition and urgently needs a capital reconstruction. The future of Westland must be settled soon, and the Company allowed to concentrate on its commercial activities.

Your Board is totally convinced of the benefit of a partnership with UTC and Fiat. This is also overwhelmingly supported by the workforce.

On pages [26] and [27] I spell out why you should back your Board.

PLEASE CONSIDER THESE KEY POINTS:

- Westland's need for a capital reconstruction is as urgent as ever.
- Your Board's proposals for a partnership with UTC and Fiat as minority shareholders received majority support at the recent meeting of shareholders.
- The European Consortium has put forward nothing new.
- Your Board has considered *all* the options, and remains convinced that a partnership with UTC and Fiat as minority shareholders is in your best interests.
- Your Board's amended proposals now require only a simple majority.
- Your vote is vital. Please act now to secure the future of Westland. Vote in favour of the Resolution.

Yours faithfully
Sir John Cuckney
Chairman.

BACK THE BOARD — IT'S IN YOUR INTEREST

by SIR JOHN CUCKNEY, *Chairman, Westland plc*

You will be aware that, although the resolution to increase the Company's borrowing limits was passed, the Board's previous proposals did not secure the necessary 75 per cent. majority at the Extraordinary General Meeting on 17th January. Those proposals were blocked principally by a small number of large shareholdings.

Nevertheless, virtually two-thirds of the votes cast at the Extraordinary General Meeting were in favour of your Board's recommended proposals. This clear majority shows the strength of support for an association with UTC and Fiat.

The Board's duty is to consider the interests of the Company as a whole, including your interests as shareholders and those of our employees.

It is also its duty, when faced with two competing proposals, to exercise judgement and leadership in determining which is the better. It would be abdicating its responsibilities if it failed to do so.

Your Board remains firmly of the view that the Consortium's proposals are not in the Company's best interests and continues unanimously to recommend the UTC/Fiat proposals.

WHAT WE BELIEVE

Although exchanges have taken place with representatives of the Consortium since the shareholders' meeting on 17th January, nothing new has emerged.

Accordingly, your Directors continue to believe that the Consortium's proposals do not match the commercial benefits which the proposed partnership with UTC and Fiat will bring. I have repeated to the Consortium that the only honourable course would be for it to withdraw.

WHAT WE PROPOSE

A summary of the amended proposals is set out on page [27].

Their principal features are:

- underwritten rights issues to existing ordinary shareholders of ordinary shares and convertible preference shares;
- an issue to existing ordinary shareholders of warrants to subscribe further ordinary shares;
- an issue to UTC and Fiat of preferred ordinary shares for the provision of know-how and cash;
- issues to UTC/Fiat and the Banks of subordinated loan stock.

A SIMPLE MAJORITY

You are being given an opportunity to take up convertible preference shares. The UTC/Fiat arrangements have been restructured and the proposal to grant an option to UTC to subscribe further new shares has been dropped. The proposed reduction of capital has been deferred. For all these reasons, a special resolution requiring a 75 per cent. majority is no longer necessary.

We will still need to put forward proposals for a capital reduction of the Company in order to be able to pay dividends in the future. This is a technical matter and will not affect shareholders' funds. We intend to put this to shareholders at the time of the next Annual General Meeting in the Spring.

WHAT YOUR BOARD RECOMMENDS

THE ARGUMENTS IN FAVOUR

Your Board and its advisers have now spent many months evaluating, with the utmost care, all the options available to the Company, including—but by no means limited to—the UTC and Fiat proposals and the Consortium's proposals.

The arguments in favour of the amended proposals remain the same as those for your Board's previous proposals. They retain all their force.

To summarise our views:

- UTC and Fiat are strong and profitable private sector companies.
- Westland has for 38 years been building helicopters with Sikorsky (the world's leading helicopter manufacturer), including the highly successful Sea King.
- The work offered by UTC is assured and of high quality.
- The Black Hawk, which we will make under licence at Yeovil, is the outstanding helicopter in its class, with great export potential.
- Partnership with UTC and Fiat will mean continued production by our skilled workforce of whole helicopters, with continued opportunities for suppliers of British avionics, electronics and missile systems.
- Partnership with UTC and Fiat will mean further development of Westland's technical specialisations which have been so successful in the past.
- Partnership with UTC and Fiat will also benefit Westland's non-helicopter activities.
- Our participation in the European EH 101 helicopter project will continue and with Sikorsky we will have access for this helicopter to the world's largest helicopter market—the U.S.A.

WHAT YOU SHOULD DO

The time has now come when you the shareholders must decide the Company's future. We ask you again to support your Directors and vote definitively in favour of the Resolution at the Extraordinary General Meeting on Wednesday, 12th February, 1986.

TIMETABLE

Latest time and date for lodgement of proxies.....	10.30 a.m. Monday, 10th February	1986
Extraordinary General Meeting.....	10.30 a.m. Wednesday, 12th February	

SIDE BY SIDE: THE PREVIOUS AND AMENDED PROPOSALS

<u>The Previous Proposals</u>	Value £m	<u>The Amended Proposals</u>	Value £m
2 for 5 underwritten rights issue of ordinary shares at 60p per share	14.2	2 for 5 underwritten rights issue of ordinary shares at 60p per share	14.2
Conversion of bank debt into preference shares (convertible into ordinary shares at 85p per share)	21.0	Underwritten rights issue of £35.50 nominal of preference shares for every 100 ordinary shares at £1 per share (convertible into ordinary shares at 85p per share)	21.0
Subscription by UTC and Fiat for preferred ordinary shares at 65p per share	23.1	Subscription by UTC and Fiat for preferred ordinary shares at 70p per share (note i)	24.8
Conversion of bank debt into preference share capital (note ii)	2.0	Conversion of bank debt into subordinated loan stock (note iii)	2.0
Subscription or purchase by UTC/Fiat of preference shares	13.7	Subscription by UTC/Fiat of subordinated loan stock (note iii)	18.0
Loan note in respect of initial payment for Black Hawk licence	5.0		
	79.0		80.0
2 for 5 issue of warrants to existing ordinary shareholders to subscribe for ordinary shares at 85p per share (note iv)	20.1	2 for 5 issue of warrants to existing ordinary shareholders to subscribe for ordinary shares at 85p per share (note iv)	20.1

NOTES

(i) Includes £5 million of know-how. (ii) Net of the sale by the Banks to UTC/Fiat of £5 million of preference shares. (iii) The subordinated loan stock has been structured so that its economic effect is broadly equivalent to the preference shares in the previous proposals. (iv) Assumes that all the warrants are exercised.

WHO WILL *OWN THE ORDINARY SHARES?

The Previous Proposals

Existing ordinary shareholders . . .	64%
UTC/Fiat	21%
The Banks	15%

The Amended Proposals

Existing ordinary shareholders79%
UTC/Fiat (note)21%
The Banks	—

*The amended proposals assume full take-up by existing ordinary shareholders of the rights issues, full conversion of the preference shares and full exercise of the warrants. Under the previous proposals, existing ordinary shareholders were not offered the right to subscribe for preference shares.

Note: Does not include the interests recently notified to the Company as set out out on page 10 of the Further Supplementary Listing Particulars.

”

WESTLAND plc

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of the above-named Company will be held at the Connaught Rooms, Great Queen Street, London WC2B 5DA on Wednesday, 12th February, 1986 at 10.30 a.m. when the following Resolution will be proposed as an Ordinary Resolution.

RESOLUTION

THAT:

- (1) the authorised share capital of the Company be increased to £61,925,600 by the creation of 48,000,000 Ordinary Shares of 25p each, 21,050,600 7½% Convertible Cumulative Preference Shares of £1 each, 500,000 Voting Preferred Ordinary Shares of 25p each and 35,000,000 Non-voting Preferred Ordinary Shares of 25p each;
- (2) pursuant to Article 8 of the Articles of Association of the Company, it is hereby determined that the following special rights or restrictions shall respectively attach to the 7½% Convertible Cumulative Preference Shares of £1 each, the Voting Preferred Ordinary Shares of 25p each and the Non-voting Preferred Ordinary Shares of 25p each created pursuant to paragraph (1) of this Resolution:—
 - (a) 7½% Convertible Cumulative Preference Shares of £1 each (“Convertible Preference Shares”)

Income

Subject as provided in paragraph (b) in the section below headed “Other Provisions”, from the date of their allotment Convertible Preference Shares shall carry the right (accruing from such date), in priority to any distribution of profit in respect of any other class of share in the capital of the Company, to a fixed cumulative preferential dividend at the annual net rate of 7½% on the paid up nominal amount thereof, such dividend to be calculated and paid half-yearly in arrears on 30th June and 31st December Provided that the first such dividend shall not be due for payment until 31st December, 1986. Convertible Preference Shares shall not otherwise carry any right to participate in the profits of the Company.

Capital

Subject as provided in paragraph (b) in the section below headed “Other Provisions”, on a winding up the assets of the Company available to shareholders shall, in priority to any other application thereof, be applied in paying to the respective holders of Convertible Preference Shares the nominal amounts paid up on their holdings of such shares together with any arrears of the fixed dividends on the Convertible Preference Shares calculated down to the commencement of the winding up and regardless of whether such dividends have been earned or become due for payment or not.

Save as aforesaid the Convertible Preference Shares shall not confer upon the holders thereof any further right to participate in the assets of the Company.

Right to Attend and Vote at General Meetings

Holders of Convertible Preference Shares shall be entitled to receive notice of and to attend at General Meetings of the Company Provided always that such holders shall not be entitled to vote upon any resolution unless:

- (i) the fixed dividend on such shares is more than six months in arrears at the date of the notice convening the meeting; or
- (ii) the resolution is for the winding up of the Company; or
- (iii) the resolution is one which varies, modifies, alters or abrogates any of the rights, privileges, limitations or restrictions attached to such shares.

When entitled to vote pursuant to (i), (ii) or (iii) above, on a show of hands every holder of Convertible Preference Shares who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative, not being himself a Member entitled to vote, shall have one vote and on a poll every holder of Convertible Preference Shares who is present in person or by proxy or (being a corporation) is present by a duly authorised representative shall have one vote for every such share of which he is the holder.

Conversion

- (a) Subject as hereinafter provided, each holder of Convertible Preference Shares shall be entitled at the times and in the manner set out below to convert all or any of his Convertible Preference Shares into fully paid Ordinary Shares in the capital of the Company on the basis of 20 Ordinary Shares for every £17

in nominal amount of Convertible Preference Shares so converted and so in proportion for any greater or lesser nominal amount of Convertible Preference Shares (such rate, as adjusted from time to time as provided below, being hereafter called "the Conversion Rate").

- (b) For the purposes of the following provisions of this Resolution a "Conversion Date" shall be 31st January in each of the years 1987 to 2006 unless in any of such years the accounts of the Company for its last preceding accounting period shall not have been audited and sent to the holders of the Convertible Preference Shares by such date, in which case the Conversion Date for that year shall be the date falling 28 days after the date on which such accounts are so despatched, provided always that if any Conversion Date would otherwise fall on a Saturday, Sunday or a day which is a public holiday in England or Scotland such Conversion Date shall be the date of the next day which is not of such description.
- (c) The right to convert shall be exercisable on any Conversion Date by completing the Notice of Conversion endorsed on the share certificate relating to the Convertible Preference Shares to be converted or a notice in such other form as may from time to time be prescribed by the Directors of the Company in lieu thereof (hereafter called a "Conversion Notice") and delivering the same to the Registrars for the time being of the Company at any time during the period of 28 days ending on the Conversion Date (such period being hereafter called a "Conversion Period") together with such other evidence (if any) as the Directors may reasonably require to prove the title of the person exercising such right to convert. A Conversion Notice once given may not be withdrawn without the consent in writing of the Company. The Company shall give to the holders of the Convertible Preference Shares notice in writing not less than four weeks nor more than eight weeks prior to each Conversion Date reminding them of their right to convert and stating the applicable Conversion Rate. Such notice shall give the name and address of the Registrars of the Company and shall also, if the Directors have prescribed some form of Conversion Notice different from that endorsed on the certificates relating to the Convertible Preference Shares, be accompanied by a copy of the Conversion Notice so prescribed.
- (d) Conversion of such Convertible Preference Shares as are due to be converted as aforesaid on any Conversion Date (hereafter called "Relevant Shares") shall be effected in accordance with the following provisions set out below or in such other manner as may be authorised by law.
- (e) The Directors may determine to effect conversion by means of consolidation and sub-division. In such case the requisite consolidation and sub-division shall be effected pursuant to the authority given by the adoption of these provisions by consolidating into one share all the Relevant Shares held by any holder or joint holders and in respect of which a Conversion Notice shall have been delivered during the relevant Conversion Period (and not withdrawn) and sub-dividing such consolidated share into shares of 25p each (or such other nominal amount as may be appropriate as a result of any consolidation or sub-division of Ordinary Shares or reduction of the nominal amounts thereof) of which 20 shares for every complete £17 of the nominal amount of the consolidated share (or such other number of shares as may be appropriate as a result of any adjustment pursuant to the provisions of paragraphs (j) or (k) below) shall be Ordinary Shares (and so in proportion for any other nominal amount of the consolidated share, fractional entitlements to an Ordinary Share being disregarded) and the balance of such shares shall be Special Deferred Shares having the rights set out in this paragraph (e). In the case of a conversion effected by means of consolidation and sub-division as provided in this paragraph (e) the Special Deferred Shares arising as a result thereof shall on a return of assets in a winding up entitle the holder only to the repayment of the amounts paid up on such shares after repayment of the capital paid up on the Ordinary Shares plus the payment of £5,000 on each Ordinary Share and shall not entitle the holder to any dividend or distribution nor to receive notice of or to attend or vote at any General Meeting of the Company and such conversion shall be deemed to confer irrevocable authority on the Company at any time thereafter to appoint any person to execute on behalf of any holder of such shares a transfer thereof and/or an agreement to transfer the same (without making any payment to such holder) to such person as the Company may determine as custodian thereof and to cancel and/or purchase the same in accordance with the provisions of the Companies Acts (as defined in the Articles of Association of the Company) without making any payment to or obtaining the sanction of the holder thereof and pending such transfer and/or cancellation and/or purchase to retain the certificate for such shares.
- (f) The preferential dividend on any Convertible Preference Shares converted shall cease to accrue with effect from the fixed dividend date last preceding the relevant Conversion Date. The Ordinary Shares arising on such conversion shall have the same nominal value as and shall rank *pari passu* in all respects with the Ordinary Shares in issue on the relevant Conversion Date save that they will not carry the right to rank for any dividend declared or paid in respect of the accounting period of the Company last preceding such Conversion Date.
- (g) Allotments of Ordinary Shares (if any) arising from conversion shall be effected within 14 days after the Conversion Date. Within 28 days after the Conversion Date, the Company shall forward to each holder of the Relevant Shares, at his own risk, free of charge, a definitive certificate for the appropriate amount

of fully paid Ordinary Shares and a new certificate for any unconverted Convertible Preference Shares comprised in the certificates surrendered by him. In the meantime transfers shall be certified against the Register.

- (h) In the event that immediately after any Conversion Date 90 per cent. or more of the Convertible Preference Shares shall have been converted, the Company shall be entitled by not more than eight weeks' nor less than four weeks' notice in writing given not later than one month after such Conversion Date (or any subsequent Conversion Date) to require all holders of the Convertible Preference Shares to convert, on the expiry of such notice, the whole of their holdings of such shares into Ordinary Shares of the Company at the Conversion Rate then applicable. The foregoing provisions relating to conversion shall apply *mutatis mutandis* as if the date of the expiry of the notice was the Conversion Date and such Convertible Preference Shares were "Relevant Shares" in respect of which a Conversion Notice had been given pursuant to the preceding provisions of this Resolution.
- (i) The Company shall use its best endeavours to procure that the Ordinary Shares arising on conversion are admitted to the Official List of The Stock Exchange at the earliest practicable date following conversion.
- (j) If, whilst any Convertible Preference Shares remain capable of being converted into Ordinary Shares, the Company shall make any issue of Ordinary Shares by way of capitalisation of profits or reserves (including any share premium account and capital redemption reserve) to holders of Ordinary Shares, then the number of Ordinary Shares to be issued on any subsequent conversion of Convertible Preference Shares shall be increased *pro rata* and if any doubt shall arise as to the amount of the increase in the nominal amount of Ordinary Shares the certificate of the Company's Auditors for the time being shall be conclusive and binding on all concerned. No adjustments shall be made in the event of the issue of shares by way of capitalisation of profits or reserves in lieu of cash dividends.
- (k) If, whilst any Convertible Preference Shares remain capable of being converted into Ordinary Shares, the Ordinary Shares shall be consolidated or sub-divided, then the number of Ordinary Shares to be issued on any subsequent conversion of the Convertible Preference Shares shall be reduced or increased accordingly and if any doubt shall arise as to the number thereof, the certificate of the Company's Auditors for the time being shall be conclusive and binding on all concerned.

Other provisions

- (a) So long as any Convertible Preference Shares remain capable of being converted into Ordinary Shares then, without such consent or sanction on the part of the holders of the Convertible Preference Shares as is required for a variation of the rights attached to such shares:
 - (i) No shares shall be allotted pursuant to a capitalisation of profits or reserves except Ordinary Shares, credited as fully paid, and upon such allotment the Conversion Rate shall be adjusted as provided in paragraph (j) of the section headed "Conversion" above Provided that no such allotment shall be made if, as a result thereof, the aggregate nominal amount of the Ordinary Shares into which any Convertible Preference Shares may be converted would exceed the aggregate nominal amount of such Convertible Preference Shares.
 - (ii) If any offer or invitation by way of rights or otherwise (not being an offer or invitation to which the provisions of sub-paragraph (iii) below apply) is made to the holders of the Ordinary Shares, the Company shall make or, so far as it is able, procure that there is made a like offer or invitation at the same time to each holder of Convertible Preference Shares as if his conversion rights had been exercisable and exercised in full on the record date of such offer or invitation.
 - (iii) If offers are made to the holders of the equity share capital of the Company (as the same is defined in Section 744 of the Companies Act 1985) (or all such holders other than the offeror and/or any company controlled by the offeror and/or any persons acting in concert with the offeror) to acquire the whole or part of such issued equity share capital or if any person proposes a scheme with regard to such acquisition and the Company becomes aware that the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a General Meeting of the Company has or is entitled to become vested in the offeror and/or such companies or persons aforesaid, the Company shall give written notice of such fact to all holders of Convertible Preference Shares within 7 days of its becoming so aware and each such holder shall be entitled from time to time within the period of six weeks from the date of such notice to convert some or all of his Convertible Preference Shares into fully paid Ordinary Shares on the basis set out above except that the Conversion Period shall

be the said period of six weeks and the Conversion Date in respect of any particular Convertible Preference shares shall be the date on which the Company shall have received a duly completed Conversion Notice.

- (iv) If the Company is placed in liquidation the Company shall forthwith give notice thereof in writing to all holders of Convertible Preference Shares and each holder of Convertible Preference Shares shall in respect of all or any of his Convertible Preference Shares be entitled within six weeks after the date of the resolution for winding up the Company or (as the case may be) after the date of the Order of the Court for such winding up (either of such dates being referred to in this paragraph as "the operative date") by notice in writing to the Company to elect to be treated as if his conversion rights had been exercisable and had been exercised immediately before the operative date on the basis of conversion as provided above and in that event he shall be entitled to be paid in satisfaction of the amount due in respect of such of his Convertible Preference Shares as are to be treated as if converted a sum equal to the amount to which he would have become entitled in such liquidation if he had been the holder of the Ordinary Shares to which he would have become entitled by virtue of such conversion, fractions being disregarded for this purpose, together with any arrears, deficiency or accruals of the fixed dividend on such Convertible Preference Shares. At the expiration of the said period of six weeks, any outstanding Convertible Preference Shares shall cease to be capable of conversion.
- (v) No equity share capital (as defined in Section 744 of the Companies Act 1985) shall be issued which is not in all respects uniform with the Ordinary Shares then in issue save:
 - (aa) as to the date from which such capital shall rank for dividend, or
 - (bb) for Ordinary Shares issued in connection with or pursuant to any employees' share scheme approved by the Company in General Meeting.
- (vi) No resolution shall be passed for a reduction (involving a repayment) of the share capital of the Company or the amount (if any) for the time being standing to the credit of its share premium account or capital redemption reserve in any manner for which the consent of the Court would be required.
- (vii) No resolution shall be passed whereby the rights attaching to the Ordinary Shares shall be modified, varied, altered or abrogated without the consent of the holders of the Convertible Preference Shares as a class.
- (viii) No resolution shall be passed consolidating or sub-dividing all or any of the Company's share capital if, as a result thereof, the nominal amount of the Ordinary Shares into which any Convertible Preference Shares may be converted would exceed the nominal amount of such Convertible Preference Shares.
- (b) The special rights conferred on the holders of the Convertible Preference Shares shall be deemed to be altered by the creation or issue of further shares ranking *pari passu* therewith provided that it is hereby expressly declared that the creation or issue of preference shares pursuant to Clause 4.7 of the Master Agreement (as defined in the Further Supplementary Listing Particulars dated 27th January, 1986 which accompanied the Notice convening this Meeting), such preference shares ranking *pari passu* with the Convertible Preference Shares as regards priority in respect of capital and income, shall not constitute a variation, alteration or abrogation of the rights attaching to the Convertible Preference Shares.
- (b) *Voting Preferred Ordinary Shares of 25p each and Non-voting Preferred Ordinary Shares of 25p each ("Preferred Ordinary Shares")*

Income

The Preferred Ordinary Shares, as regards such dividends and distributions as may be declared, paid or made out of the profits of the Company in accordance with the Articles of Association of the Company and the Companies Acts (as defined in the Articles of Association of the Company), rank *pari passu* and rateably in all respects with the Ordinary Shares.

Capital

- (a) Subject to the rights attached to shares ranking prior thereto as regards capital, on a winding up the assets of the Company available to shareholders shall in priority to any other application thereof be applied in paying to the holders of the Preferred Ordinary Shares a sum equal to the nominal capital paid up or credited as paid up on the Preferred Ordinary Shares held by them respectively together with a premium of 45p per share.
- (b) As regards any surplus remaining after the application of assets pursuant to paragraph (a) above and the payment of a sum equal to the nominal capital paid up or credited as paid up on the Ordinary Shares, the holders of Preferred Ordinary Shares shall share such surplus with the holders of Ordinary Shares (proportionately to the numbers of such shares respectively held by them).

Rights to Attend and Vote at General Meetings

The holders of Preferred Ordinary Shares shall, by virtue of or in respect of their holdings of Preferred Ordinary Shares, have the right to receive notice of and to attend at any General Meeting of the Company. Holders of Non-voting Preferred Ordinary Shares shall not be entitled to speak or vote at any General Meeting of the Company in any circumstances. Holders of Voting Preferred Ordinary Shares shall be entitled to speak and vote at any General Meeting of the Company and on a show of hands every holder of Voting Preferred Ordinary Shares who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative, not being himself a Member entitled to vote, shall have one vote and on a poll every holder of Voting Preferred Ordinary Shares who is present in person or by proxy or (being a corporation) is present by a duly authorised representative shall have one vote for every such share of which he is the holder.

Conversion

- (a) (i) A holder of Voting Preferred Ordinary Shares shall have the right, exercisable at any time and from time to time prior to 31st January, 2006 by notice in writing deposited at the Registered Office of the Company, to convert all or any of his Voting Preferred Ordinary Shares into the like number of Ordinary Shares or Non-voting Preferred Ordinary Shares. To be effective any such notice must be duly signed by or on behalf of such holder and be accompanied by the certificate for the shares to be so converted.
- (ii) Upon receipt of an effective notice of conversion pursuant to sub-paragraph (a)(i) above the Voting Preferred Ordinary Shares in question shall automatically be converted in accordance therewith and the Company shall issue the appropriate certificate or balance certificate.
- (iii) The Company shall apply to the Council of The Stock Exchange for all Ordinary Shares arising from conversion to be admitted to the Official List and the Company shall use its best endeavours to obtain such admission at the earliest practicable date following conversion.
- (b) A holder of Non-voting Preferred Ordinary Shares shall have the right to convert all or any of his Non-voting Preferred Ordinary Shares into Voting Preferred Ordinary Shares or Ordinary Shares. The provisions of paragraph (a) above shall apply to any such conversion in like manner, *mutatis mutandis*, as they apply to a conversion of Voting Preferred Ordinary Shares pursuant to that paragraph.
- (c) If the aggregate nominal value of the outstanding Voting Preferred Ordinary Shares and Non-voting Preferred Ordinary Shares falls below 10 per cent. of the aggregate nominal value of the outstanding Preferred Ordinary Shares and Ordinary Shares then all Voting Preferred Ordinary Shares and Non-voting Preferred Ordinary Shares shall thereupon automatically stand converted into the like number of Ordinary Shares and the provisions of sub-paragraph (a)(iii) above shall apply accordingly.
- Notwithstanding the preceding provisions of this paragraph (c) such automatic conversion shall be suspended for up to 8 months from the date on which it would (but for this provision) have occurred and if at the end of such period the said aggregate nominal value is no longer below 10 per cent. the said automatic conversion shall not operate; but such suspension shall not apply if the said fall shall have occurred by reason of sales or other disposals or conversions of Voting Preferred Ordinary Shares and/or Non-voting Preferred Ordinary Shares.
- (d) If at any time a majority of the voting rights exercisable by the holders of the Voting Preferred Ordinary Shares cease to be freely exercisable by or between United Technologies Corporation and any body corporate which is under the control of United Technologies Corporation (within the meaning of Section 534 of the Income and Corporation Taxes Act 1970) then the whole of the outstanding Voting Preferred Ordinary Shares and the Non-voting Preferred Ordinary Shares shall automatically stand converted into Ordinary Shares and the provisions of sub-paragraph (a)(iii) above shall apply accordingly.
- (e) On 31st January, 2006, all outstanding Voting Preferred Ordinary Shares and Non-voting Preferred Ordinary Shares shall automatically stand converted into the like number of Ordinary Shares and the provisions of sub-paragraph (a)(iii) above shall apply accordingly.

Other Provisions

- (a) The Voting Preferred Ordinary Shares shall confer on the holders thereof the right to appoint Directors; the number of such Directors whom such holders may nominate is to be a minimum of three persons and subject thereto is to represent the same proportion of the total number of Directors from time to time holding office (including the number of nominees whom the holders of the Voting Preferred Ordinary Shares shall be entitled to nominate) as the nominal amount of Voting Preferred Ordinary Shares and/or Non-voting Preferred Ordinary Shares held by such holders bears to the aggregate nominal amount of issued Preferred Ordinary Shares and Ordinary Shares.

- (b) If the application of the immediately preceding paragraph would produce a fractional entitlement as regards the number of such Directors the entitlement shall be rounded upwards or downwards (depending on whether the nearest whole number is greater or smaller than the fraction) and if such fractional entitlement is equivalent to one half of the entitlement shall be rounded upwards. The said right of appointment shall be exercisable by notice signed by the holders of a majority of the Voting Preferred Ordinary Shares (a corporation which is a holder acting by resolution of its Directors evidenced by the signatures of any two of its Directors or one of its Directors and its Secretary). Any Director so appointed may be removed in like manner and another Director appointed in his place. Any other vacancy in the Directors appointed pursuant to this paragraph (b) may be similarly filled. Any such appointment or dismissal shall take effect at and from the time when the notice is lodged at the Registered Office of the Company or produced to a meeting of the Directors.
- (c) Subject to paragraph (d) below, the following shall be deemed to be an alteration to the special rights attaching to the Voting Preferred Ordinary Shares:
- (i) any increase in the Company's authorised share capital or issue of shares or reduction (save for reduction not involving a repayment) in the Company's share capital or other change in the Company's share capital structure;
 - (ii) any alteration to the Memorandum or Articles of Association of the Company (save as may be required by law);
 - (iii) any sanction to an alteration or suspension of the restrictions on the exercise of borrowing powers which are contained in the Articles of Association of the Company.
- (d) It is hereby expressly declared that the creation or issue of preference shares pursuant to Clause 4.7 of the Master Agreement (as defined in the Further Supplementary Listing Particulars dated 27th January, 1986 which accompanied the Notice convening this Meeting), such preference shares ranking *pari passu* with the Convertible Preference Shares as regards priority in respect of capital and income, shall not constitute a variation, alteration or abrogation of the rights attaching to the Preferred Ordinary Shares
- (3) That the allotment and issue of the Ordinary Shares, the Warrants, the Voting Preferred Ordinary Shares, the Non-voting Preferred Ordinary Shares and the Convertible Preference Shares as described in the Circular to shareholders and Further Supplementary Listing Particulars dated 27th January, 1986, which accompanied the Notice convening this Meeting, be approved and that for the purposes of Section 80 of the Companies Act, 1985 the Directors be authorised to exercise all powers of the Company to allot relevant securities (within the meaning of that Section) up to a maximum nominal amount of £41,785,093 such authority to expire at the commencement of the next Annual General Meeting of the Company. This authority shall be in place of any like authority given to the Directors prior to the date of this Notice of Meeting and any such like authority is hereby revoked.

By Order of the Board,
JOHN R. BAYLEY,
Secretary

Westland Works,
Yeovil,
Somerset BA20 2YB.

Dated 27th January, 1986.

Notes:

- (i) Any member entitled to attend and vote at the above Meeting is entitled to appoint one person, or, failing him, another person as his proxy to attend and, on a poll, to vote on his behalf. A proxy need not be a member of the Company. A proxy card is enclosed for this purpose.
- (ii) The instrument appointing a proxy together with the power of attorney or other authority under which it is signed or a notarially certified copy of such power of attorney or other authority must be deposited with the Company's Registrar, National Westminster Bank PLC, Registrar's Department, PO Box No. 82, 37 Broad Street, Bristol BS99 7NH, not less than 48 hours before the time of the Meeting.
- (iii) Completion and return of a form of proxy will not preclude a member from attending and voting at the Meeting should he so wish.



Warrant No. 1000
No. 1000
Warrant No. 1000
Date 20th January 1980

From Robin Butler.

observer, I find entirely convincing these answers to the two main so-called questions :-

Why did you set up the leak inquiry?

Because, whatever partial information you may have had, in fairness to everyone it was essential to have a complete and objective report on what had happened.

How did your staff know what you would have felt about releasing the substance of the Solicitor General's letter?

Because they knew of your general view that, if the Government was given reason to think that any of the statements in Mr. Heselfine's uncles' letter could not be relied on, that would have to be made clear to shareholders without delay.

As I said in the House on 23 January the company was also informed. There have been reports in the newspapers to the effect that that statement was wrong, and the company had not been informed. I understand that Sir John Cuckney's office have now confirmed that he did receive a call from the Department of Trade and Industry in the early part of that afternoon. [Though he does not now specifically remember its contents.] The official in the Department of Trade and Industry concerned has again clearly confirmed that he made such a call, as he told the Head of the Civil Service in his evidence to the inquiry.

WHO LOVES YOU MICHAEL?

"This Tarzan" doth like the ape, the higher doth he climb,
The more doth he show his Ars."

With apologies to Lord Bacon.

The emotionally unstable exhibitionist who once showed his disrespect for the symbol of Parliamentary sovereignty, the Mace, now launches a disgraceful attack on the Prime Minister, breaking in the process every canon in the traditional code of behaviour for resigning Ministers and doing untold damage to the public image of parliamentary institutions, to the Conservative Party, to relations with our most important ally and customer, and possibly destroying a private company whose future had been assured before he intervened. Despite the most organised and biased media boost that I can remember, this vulgarian arriviste, who has filled our television screens and newspapers for several days with pictures of himself dressed in an extraordinary outfit which I presume he considers to be sartorially de rigueur for the gentry, and which at least makes a welcome change from the constant posturing in military flak jacket of this militarily inexperienced rookie, as he routed the Greenham Common women, or personally checked that our regular services were using their weapons correctly, may yet find that he has a lot to learn about weapons, for the rocket which he thinks he has launched against the Prime Minister may prove to be a boomerang which destroys him.

The Prime Minister has her faults; great timber has great knots. But the criticisms launched against her in the wake of the Heseltine affair are grossly unfair. One eminent politician wrote to me recently and said that she has a total lack of understanding of the realities of the problems facing the British people today. I was impelled to reply:-

"I do not know anyone who has a more comprehensive ^{grasp} of those realities than Margaret Hilda Thatcher. Who knows more about working class problems? She grew up with them. Who better understands the aspirations and frustrations of that crucial minority, the able and industrious striving to better themselves? She has been through it all herself. Which politician better understands the vital role which science and technology must play in our economic revival? She is the first Prime Minister we have had who has a science degree. Who is better placed to comprehend the business man's problems? She is married to a business man of broad experience. Do we not need a Prime Minister, in this era uniquely beset with masses of complex legislation, who can discern the real problems behind the legal jargon? She is a barrister who specialised in tax law. Who better understands the daily realities which face the housewife and mother? She has played both roles herself. Finally, can one doubt that a woman of her capacity, with that incisive intelligence, adhesive memory, and apparently inexhaustible energy, can have failed to garner a unique insight into international affairs and Britain's changing role in them, during seven hectic years of occupancy of the

● most powerful office in the land?

No! Some errors of judgement she has made; her choice of lieutenants has not always been impressive, her limited capacity to suffer fools gladly sometimes detracts from her essays in diplomacy, her anxiety to communicate her ideas and an understandable lack of opponents capable of refuting them convincingly, causes her to slip too often into a didactic manner which sometimes wears the aspect of arrogance, but lack of grasp of reality, or indeed of courage in facing it, is not a charge against her which can be sustained.

I went on to suggest to my correspondent, at some length, that most of our intractable problems which are currently blamed on the Prime Minister are consequences of more than half-a-century of cultivation by the Left of Socialist myths, to the extent that most people no longer recognise them as such but treat them as self-evident truths. In the interest of brevity I will circulate a note on this topic later, returning in this essay to the immediate attack on the Prime Minister made by Mr Heseltine.

He is clearly at fault on several points:-

- (1) He has been grossly incompetent in failing to develop a coherent policy for helicopter procurement during three years as Minister of Defence. He is now adding insult to injury, not only by creating a quite unnecessary political crisis, in which everyone in the cabinet other than himself is ^{supposed to be} out of step, but also by seriously misrepresenting the technical position. In reality there is no credible alternative to the Sikorsky proposition!

The services desperately need more helicopters, particularly troop-lifters. The RAF depends on aging PUMAs and the obsolete Wessex (designed in the nineteen forties). In Germany alone the army urgently needs 100 more. Yet there is no finance planned for their purchase. That alone is a national scandal. The only financial provision is for a new anti-tank helicopter which does not yet exist and which, as we shall see, is unlikely to be available until well into the next decade.

Of the three alternatives for the troop-lifter job only the Sikorsky Black Hawk exists. The second alternative, an upgraded Westland 30 manifestly cannot come into being unless Westland continues to exist; Mr Heseltine, until very recently, had made clear that he had no interest in Westland's continued existence and only Sir John Cuckney's skill in bringing Sikorsky to the rescue saved the company from bankruptcy. The third alternative, the NH 90 (the N stands significantly for NATO, in which America is the major partner, and which makes ludicrous Heseltine hysterics at the notion of this machine, or any part of it, being produced by a British company polluted by even a minority holding of American shareholders) is planned to be produced for service requirements in the mid-nineteen-nineties by a consortium of five European companies, some of them State-owned and some private companies. We all know the aphorism that a camel is what a horse would look like if it had been designed by a committee. Those of us who have actually had experience of presiding over international

groups know ^{that} the difficulty of reaching agreement increases considerably in proportion to the number of different nationalities involved and approaches the impossible where state-owned companies such as the French Aero-Spatiale are involved. Germany and France have been trying to agree a specification for a common attack helicopter for several years with, as yet, no result. This is hardly a good omen for the smooth working of the proposed European consortium of five!*

Since the Sikorsky Black Hawk is the only actual lift-helicopter available let us briefly review it. It was recently described by The Economist as, without doubt, the finest light-troop-lift-helicopter in the world. The design was based on extensive Vietnam experience in lifting troops and equipment in to and evacuating casualties out from the battle zone. It incorporates the most modern technology — new non-metal materials, elaborate back-up systems, a computer controlled flight-control system, and a main gear-box that can run for 30 minutes if it loses oil because of battle damage. It is built to withstand impacts of up to about 30 m.p.h. downward speed, which means it would survive about 90 per cent of the crashes experienced in combat, often needing only a quick rotor replacement to get it back in the air. Having been in series production for several years it is much cheaper than any of the alternatives still on the drawing board are likely to be.

From these established facts of the situation Mr Heseltine's recent behaviour can be explained only by analogy with the little boy who would not play the game unless he could be captain and who, moreover, if denied that honour, would try to take the ball away so no one else could play. As Mr Tebbit remarked: "The vote on the issue over which he resigned went against Michael 20 to 1. What do the critics of the Cabinet think should have happened in that circumstance? That the other 19 should have resigned?" He has, in his recent, interminable, self-serving interviews, repeatedly asked why, if, as has been suggested, his behaviour shows emotional instability and bad judgement, did Mr Thatcher keep him for three years in the highly responsible office of Minister of Defence? Surely the Westland incident suggests that the Prime Minister may have been kept informed only of those aspects of his stewardship which redounded to his credit!

* In a letter to 'The Times' published today (Jan. 15) Mr Douglas Jay, referring to threats by the French Minister of Defence on January 7 that Westland is likely to be excluded from European collaboration projects if it pursues its partnership with Sikorsky, notes that the French themselves are known to be considering seriously a partnership between the French aero-engine firm, Snecma and the American General Electric company in the development of the new French combat aircraft. Snecma and G.E. have long collaborated on civil aero-engines. Mr Jay asks very pertinently why the Snecma/G.E. collaboration is regarded as perfectly reasonable and that between Westland/Sikorsky as illicit. The answer is because you are dealing with the French and Mr Heseltine reveals his naivety in placing such confidence in the outcome of collaboration with such partners.

(2) He has broken all the rules governing relations between leader and led which apply in any organisation, in any age. A leader, whether in the Forces, or in industry, or in politics, or in any other sphere ought, in his/her own interest as well as in the general interest in reaching the best decisions, to tolerate a great deal of frank internal debate, but once he/she takes up a public position all members of the team must support that position or the leader's situation becomes untenable, unless the offending party is dismissed. The crucial facts in this instance are established:-

- (a) In December the Cabinet took a firm decision not to intervene in the Westland affair.
- (b) During the new-year holiday, in ^{response to a} request from Sir John Cuckney, Chairman of Westland, for clarification of Government policy, the Prime Minister wrote a letter stating the agreed Cabinet policy noted at (a) above.
- (c) At this point Mr Heseltine crossed the Rubicon. For, without reference to Downing Street he wrote a letter to Mr Horne of the European consortium, purporting to be a clarification of Mrs Thatcher's letter but which in fact made several points which he had specifically failed to get embodied in that letter. At this point, having overridden the Prime Minister's authority and committed a flagrant breach of established Whitehall procedure, he should have been instantly dismissed.

By failing to sack him at this point Mrs Thatcher allowed the situation to drift, via unedifying public squabbling, disgraceful leak and counter-leak of Cabinet minutes and confidential correspondence, until the point was reached where Mr Heseltine, in a melodramatic resignation appeared to sack her, maximising his opportunity for prior presentation of his own pre-prepared case and creating in the process the most embarrassing, albeit misleading, impression of the workings of the Cabinet and the Prime Minister's own style. Clearly she has not heard the old adage, well-known to Northern Business-men, that in dealing with bad subordinates or bad stock, "the sooner you are rid the better."

(3) He has grossly interfered in the affairs of a private sector company. This poses a number of questions:-

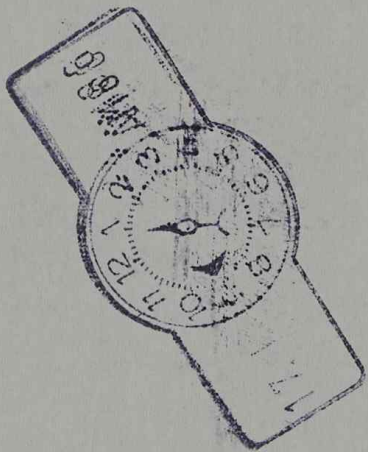
- (a) The Government, since and before its election, has made non-intervention a fundamental part of its policy. If he does not agree with that policy why did he remain a Minister in that Government for three years?
- (b) Why did he proclaim this policy in June to Sir John Cuckney as his reason for not coming to the rescue of a dying Westland, and abandon the policy in December in order to prevent Sikorsky making that rescue? Do national Defence requirements vary like our underwear requirements with the season?
- (c) If, as he maintains, this volte face took place because the rescuer is American and that national defence considerations dictate that we cannot let ourselves become dependent

supplies and technology, what on earth are we doing relying on the Americans for the supply of Trident, Cruise, computers and much else in our defence procurement programme of far greater importance than helicopters.

- (d) Clutching at every straw to bolster his implausible case he ill-advisedly drags in the importance of preserving our own research and design capability. Scientists and engineers go where the work is, and this side of the Iron Curtain they move freely across national frontiers. There are no Sakharovs here, and Soviet attempts to nationalise science produced only the scientifically barren years dominated by Lysenko and his like.

Scientific research is stimulated, technicians are attracted, and industrial applications flourish, when companies can get clear indications of future requirements from potential users, indications which justify the often costly development risks involved and facilitate the raising of new capital which may be needed to finance them. If Westland had been left to wither on the vine for lack of any support from their main customer, the Ministry of Defence, the company would have gone into receivership, and out of the debris of that sad event any of the "research and design capability" which Heseltine now purports to attach such value, could have been bought at bargain basement prices and transferred to the States, or, indeed to any foreign state which wished to top the bids. So much for preserving our own research and design capability.

- (e) Throughout this sorry saga the actions of Mr Heseltine, and sometimes his utterances, have smacked of anti-Americanism. In the words of a Times leader: "Contemptuous references to stampeding American multinationals grasping for job lots of British industry, undermine the transatlantic relationship which is the paramount national interest in this case." The way in which he has ranted on about defending our technology from the Americans one might think that it was we who put the man on the moon, designed the space shuttle, created I.B.M. and Silicon Valley, and provide the essentials of our nuclear defence shield. Scientifically and technically, and I write as a former member of that section of the Scientific Advisory Council concerned with research into and development of defence equipment, they bestride the rest of the world like a Colossus. To have an association with a major successful American company is a privilege to be cherished. Gratuitously insulting them is most ill-advised and in the long-run this may prove to have been the gravest of Mr Heseltine's sins.
- (f) Some of our largest companies, notably British Aerospace, have been foolish enough to associate themselves closely with Mr Heseltine's antics, thus, particularly in the anti-American aspect, risking upsetting a vitally important



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Martin Adeney: The Westland PR campaign

Armies of PR men went to war over Westland

Both sides in the Westland dispute have tried to steamroller public opinion and influence shareholders by an incessant PR campaign. BBC Television Industrial Editor Martin Adeney had never before seen such blatant attempts at news management.

In almost every way you can think of, the battle for what is not even a takeover, but only a share, of a middle-sized West Country engineering firm has proved astonishingly expensive.

Most costly, of course, for Michael Heseltine; demanding in terms of government and industrial time and energy; and with costs which now run well into six figures for a month-long exercise by massed bands of public relations companies which can hardly be paralleled since the Mafia set about convincing us that it was an offshoot of the Italian-American Civil Rights Association.

In more than a dozen years of reporting many of the great political and industrial conflicts of our times, I cannot remember being subjected to briefings so remorselessly one-sided, often quite shameless in insisting that their own partial view was the one which must be reflected in the news, and then complaining that it was not. In a month of covering Westland, there have been more attempts to bend my ear from Whitehall and associated sources than in a year of the miners' strike.

Battle was joined on Friday, 13 December, when, at a press conference supposed to put the lid on the uncertainty surrounding the company's future, Sir John Cuckney of Westland and United Technologies Vice-President Bill Paul, who is in charge of the American Sikorsky company, announced a recommended deal. Scarcely had they finished when the Ministry of Defence was briefing that there was no requirement and no money for the helicopter (Black Hawk) they proposed to license, and that although Mr Heseltine would not speak publicly, waiting by their telephones happened to be Admiral Sir Raymond Lygo of British Aerospace and Jim Prior MP, now Chairman of GEC.

In the days that followed, not only did the ranks of available admirals swell (Sir Raymond on one side, his contemporary Sir John Treacher on the other, as Sir John Cuckney's deputy, with French and Italians coming over now and then), but so also did the number of public relations companies.

It was not sufficient to telephone Westland or British Aerospace. (The GEC man said frankly at one point that he wasn't being told anything.) Instead, there was a separate PR agency for Westland (Lopex), another for the Europeans (Christopher Morgan Marketing) and another for the UTC-Fiat end (Peter Bloomfield and Co.). In addition, there were separate agencies representing the City interests of some of the combatants and the merchant banks. When they were not available, there

was likely to be one admiral or another to fire a broadside at the other side.

It must be said that most have been very helpful, sometimes embarrassingly so. I was profusely thanked for getting one very late-breaking piece of information on to the news, and found myself rather sanctimoniously explaining that I was doing no favours, simply getting an important development broadcast. But it is an indication of how bitter and emotional the battle became over what Sir John Cuckney himself describes as 'a West Country engineering firm with a comparatively small market capitalisation'.

Perhaps the most ludicrous point was when it was suggested that the well-known Fiat company, a regular Nato supplier, was a pawn of Colonel Gaddafi. Fiat, in which the Libyans have some money, was Sikorsky's partner in its offer.

On several occasions, we would scarcely have launched a news bulletin when the telephone would ring, producing new information for us to include, or objecting to what we said. Most famously, it occurred when the Prime Minister's letter to Sir John Cuckney was published. It will be recalled that Sir John, who was effectively told by the European Consortium that Westland would have no share of European projects if it went in with Sikorsky, had written to Mrs Thatcher asking if that was the British Government's view. The reply came that Westland should make its own judgment on the views of the Europeans (which were once again drawn to the company's attention), but emphasising that the Government would fight 'to the best of its ability' to make sure that Westland was not discriminated against.

We had already reported the European threats, cranked up as the days went on, but with the Italians and the French taking significantly different lines about collaboration on existing projects. Like some newspapers and Sir John himself, we saw the letter as strengthening the Board's hand against the threats, something subsequently confirmed by the unanimous vote to turn down the European offer.

But scarcely had this 'tilt towards Westland' appeared when the telephone started to ring. First it was Downing Street; the letter was entirely neutral. Then it was the Ministry of Defence, and I can still hear Michael Heseltine's voice insisting repeatedly that the letter was 'a disaster, a disaster' for the Westland Board.

In subsequent days, I was told that every Fleet Street newspaper was in favour of the European deal, or at least that this deal should be put to shareholders; that the Cabinet was avoiding meetings, because every time one was

held the Heseltine view triumphed; that a tiny minority was trying to steamroller the deal through; that the original Trade and Industry draft for Mrs Thatcher's reply was the most disgracefully bland reply ever seen, and the law officers had insisted that certain statements about the European position must be inserted. Of course, we now know about the law officers' qualifications to a subsequent Heseltine letter.

By contrast, the briefing from Trade and Industry was light, perhaps befitting what is now a non-interventionist Ministry. Mr Brittan only occasionally emerged from the depths of the department to deliver a blow at the departing figure of Mr Heseltine before scurrying back.

In the meantime, lectures about the exact state of the European aircraft market were delivered to us by public relations men and bankers who, as some openly admitted, had known nothing whatever about it a few days earlier.

The results were apparent. Faced with contradictory briefings over the letter, the obvious response was to retreat to the position where all sides claimed victory; more alarming was the way, before Christmas, the European bid was talked up as already an almost certain winner. This conception, apparent in newspaper coverage, was almost entirely due to the intensity of the Heseltine camp's briefing. It was clear at the time to anyone who asked that the Westland Board was deeply opposed, and almost as obvious that Sikorsky, which had left the country but was due to return in the New Year, would have more to say.

The name of the game has been to try to create a bandwagon effect to sweep along the shareholders. When asked how he would fight, given his Cabinet difficulties at one point in the argument, Michael Heseltine replied: 'There are lawyers, there is public opinion, there are journalists.'

The problem and the fascination has been that there are genuine issues here which deserve very serious discussion. There is a clash of philosophy between the Government's basic free market and hands-off economic beliefs and the question of preserving key British and European interests and expertise through interventionist methods. There is the Heseltine point that European co-operation is better than being dependent on American technology which they simply license to us, while any good ideas we have are simply swallowed up in what Sir Raymond Lygo calls a 'one-way street'.

Yet nothing is as black and white as it looks. Westland is in trouble for various reasons, but partly because the MoD has been changing its mind about the helicopters it wants; European helicopter-makers have already had links with the Americans and there has been talk of the Italian Agusta company doing a similar deal with Sikorsky; there is a wide mistrust of the French at Westland, encouraged by the fact that in an earlier Anglo-French collaboration the French unexpectedly built a competitor to the aircraft Westland was building and sold it in export markets. What does one make of the fact that both sides say the rival deal would reduce Westland to being nothing more than a metalbasher?

It is the achievement of Michael Heseltine that the debate was started, but it is also his responsibility that it should have become so clouded by emotion and wholesale campaigning, which has attempted to steamroller rather than convince. The obsession cost him his job.

Who to hear
Friendly voice

—
Normally v. difficult.
Hesitant & better through

—
Usually as the
small things

—
Things over someone
had to get no delay
you ^{intended}
Give as

—
Out here in the
series you have a
part.

—
Go out & do
your duties.

PRIME MINISTER

26 January 1986

WESTLAND SPEECH: 27 JANUARY

I have just read a draft of your speech for this afternoon. This is a helpful elaboration of your statement on 23 January.

I have a number of comments which might lead to a strengthening of the text:

1. As it stands, it gives the impression of a considerable reluctance on your part, first to raise the matter of the leak with your own officials, and second to set up an inquiry. In both cases, it looks as if the initiative came from the law officers. The question which will be raised is why there was such reluctance on your part. People will speculate on the reasons for such reluctance. Was it a suspicion that Leon Brittan might be involved? Or was it a hope that the whole affair might blow over?
Elaboration would be helpful
2. The draft ^{is} ~~this~~ weak on the misunderstanding between DTI and No 10 officials. As all of the officials involved are professionals at their business, people are bound to speculate on the kind of questions raised by John Mogg and Colette Bowe. Disclosing more information about what happened would strengthen your case.

3. At certain points, you could well express regret about what happened and adopt a posture of greater humility.

4. It was apparent at last week's statement to the House that the Opposition will attempt to ridicule this speech by laughter, which could seriously damage morale on your own back bench. The following lines look as if they may provoke such laughter and should either be deleted or amended:

p.4 "Accurate ... in no way misleading ... consistent."

"Because one member ... debating the whole matter today."

p.15 "It was important that the facts should be established."

p.22 "But they did not see any need to do so."

p.28 "The Government's ... concern."

BG.

Niece

Personal

1. There are a lot of people participating in the speech seminar tomorrow (Sunday). They - and especially Brian - will have to be kept in order, especially at critical moments. Can I suggest that, if possible, you have a quiet word with people in advance of the meeting?

2. It is also important that you and CSP go through the chronology very precisely with the PM "Brian Walden" style. (I imagine you are doing this today.) But this really must be done with the minimum of people present. If it has to be done tomorrow, then again, the rest of us really should have knowledge if necessary. Because the PM has got to be pinned down to the as precise as possible.

(OVER)

3. CDP and I agreed that we do ~~not~~ need
outside political help. Douglas Howard seems
a good choice - especially because he can and
will write. I do hope we can win
agreement to him joining us at the appropriate
stage.

I'm now staying home. Will be
in tomorrow.

Stephen
25/1

3-45 pm.

PRIVATE + STRICTLY
CONFIDENTIAL

Andrew M. Fox.
65a Mount Zion.
Tonbridge Wells,
KENT TN11 1TN

25.1.86

The Prime Minister,
10 Downing Street,
London.

Caroline has
original 26/1

Dear Prime Minister,

Some matters have come to my notice which may assist you in the current political situation in general and in preparing for Monday in particular. Forewarned in forewarned

On Thursday night I spoke on the telephone to Steven Myers, formerly of the "Foreign Affairs Forum" and on the Candidate's List. Knowing that I work as an International Bond and Currency dealer for an American Bank, he asked me if I could obtain a list of the Directors & Shareholders of United Technology / Sikorsky. He explained that his research had shown that a scenario existed whereby your personal involvement had been motivated by the ~~desire to "do President Reagan a favour."~~ He had "unearthed" a series of links between major actors/contributors to the Republican Party (who had given \$m's to the Reagan/Bush

campaign) and UT. Among these names were ~~Frank J. Farenkoff~~ and Frederick K. Biebel (the Chairman of the Committee of the Connecticut Republican Party). This was the tip of the iceberg.

I telephoned him last night to report that I had nothing for him and he described his meeting that morning with the former Defence Secretary as "successful". He had just started ~~analysing a list of 600 names~~ (of ~~UT Directors & Shareholders~~) provided for him by ~~Jonathan Clements~~, who works for "~~Euro money~~" magazine. It was "very revealing" and "a whole new can of worms". He was preparing for a meeting today with the Rt. Hon. Member for Henley in his constituency, further to brief him. The matter was to ~~emerge on Monday~~ and it was to be a great personal embarrassment to you.

While it is not for me to advise you on ~~tactics~~, I believe that there is a ~~widespread belief that the issue is totally overblown~~. A ~~combination of a seriously meticulous "least-damning folly-water-tight"~~ explanations - for the House - and a ~~calming "getting on with the job/Business as Usual"~~ attitude will take the ~~danger out of the affair~~. There is little real threat from outside the Party.

In the next weeks, the Government will have opportunities to excel at governing - not trivial - regarding OPEC, the Irish Question, the Economy and privatisation plans. Most importantly, the opportunities that the Fleet Street strike will offer for attacks on Labour and for reinforcing Law and Order can give the Government great rewards if well-judged. If so, this affair will be forgotten in a few months. I hope so.

Having just left University, I am sure I speak for many young people when I express thanks for the gigantic changes wrought in public ~~so~~ Attitudes in the last 7 years. Many changes are irreversible, but the struggle is to maintain the succession of commitment to the principles of Liberty & free Enterprise which offer young people such opportunities today. As you repel this challenge and others in the future, our thoughts go with you. Please accept these flowers as a good luck token.

Yours sincerely

Andrew M. Fox.

Rates

Income tax

£500,000 - 500,000

Change in Gov. Sec. - 10.000

Green Paper - on Revenue

Public Report - Change in Demand

Proposed Bill

Other order

Privatisation =

Get the most relevant
strength - determined

to respond - that

the impact will

positive impact to Product
market

SECRET

NOTE FOR THE RECORD

PRIME MINISTER'S CONVERSATION WITH PRESIDENT REAGAN

President Reagan telephoned the Prime Minister at about 5 pm this afternoon.

The President said that he thought the Prime Minister would like to hear a friendly voice. He was furious that anyone had had the gall to challenge her integrity. He wanted her to know that "out here in the colonies" she had a friend. He urged the Prime Minister to go out and do her darndest.

The Prime Minister thanked the President very much for his kind thought in telephoning. It was a difficult moment but she intended to put her head down and battle through.

C.D.P.

C.D. Powell
25 January 1986

BM2ACN

SECRET

PART 3 ends:-

PM to Leon Brittan 24.1.86.

PART 4 begins:-

CDP note for the record 25.1.86.

