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PART EIGHT

10

Confidential Filing

Westland Helicopters

AEROSPACE

Part One: April 1985

Part Eight: January 1990

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
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From: Mary Francis
Date: 4 February 1994

alc

PRIME MINISTER

✓
~~RF~~
to see

WESTLAND HELICOPTERS

Bid announced

GKN are about to bid for the whole of Westland: they currently hold 20% of the shares. The bid may be announced first thing on Monday.

today.
Announce
line is
coming.
W.
RF

Although this means the end of Westland as an independent public company, it is basically good news. GKN is a well-established UK-owned company which should be able to bring extra capital to Westland. Part of the deal is that GKN will acquire a substantial slice of shares in the company currently owned by the American company UTH who make Sikorsky helicopters. So this is an example of British ownership replacing foreign interests.

MF.

MARY FRANCIS

e\westland.jd

PERSONAL AND CONFIDENTIAL

Action taken

From: Roderic Lyne
Date: 5 November 1993

File

PRIME MINISTER

Rygl

WESTLAND

*Thank you.
Pl. refer on Auckley.
(? letter from them to created ad-
Archdown / MGR etc.
letter)*

Following your call to me, Jonathan Aitken spoke to Alan Jones of Westland and gave him a pretty rough time. Jones was mortified at the impression of the visit given by the BBC, and started gobbling hugh dollops of humble pie, and covering himself in sack cloth and ashes.

6.11

Jones said that HMG had been helpful to Westland. You had fought for the Canadian contract. Jonathan Aitken was off to Abu Dhabi tomorrow, mainly to lobby on Westland's behalf there. He apologised for the effect created - he swore unintentionally - by the portion of his interview which the BBC had carried. With hindsight, he accepted that he had not got it right. Aitken said that Jones was pretty terrified at the thought that, if pressed, we might counter with what we know about cock-ups at Westland.

At Aitken's prompting, Jones then telephoned me. He repeated the grovelling. He was desperate to get the message through to you that Westland had enormously appreciated your visit, and - until they had heard of the press coverage - felt that it had gone very well. He said he was very sorry if Westland had caused you a problem. Westland never encouraged the media to be difficult. The company would never use the media in this way. If we felt that the company had been guilty of campaigning too hard, he would see that the campaigning was reduced.

Jones told me that his BBC interview had included many positive remarks about your help to the company, which the BBC had not carried.

He said that the local press were fearful of the consequences of the Canadian cancellation and in a jumpy mood. Many of the press who had covered your visit were also not Westland's usual contacts, and had seemed less amenable.

I repeated to Jones some of the points made by Jonathan Aitken. I pointed out that the remarks from Jones carried by the BBC, were damaging and disobliging, even if he had not intended them to be so. I asked if he would make himself available to the press to correct the impression he had given. He agreed. The press office are encouraging the BBC to ring him.

Too much of this is locking the stable door after the horse, of course. But I suspect that we shall get a little less trouble from Westland over the next few months. Jones sounded genuinely appreciative of the trouble you had taken to go to the company, and extremely keen to repair the damage.

Rodena

FOREIGN\WESTLAND.DAS

PARRY / SPICER JD



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

28 October 1993

**PRIME MINISTER'S MEETING WITH SIR JAMES SPICER MP:
UTILITY EH101 HELICOPTER**

The Prime Minister met Sir James Spicer MP today to discuss the latter's concerns over the Utility EH101 helicopter. Thank you for the briefing which you supplied.

Sir James began by expressing his outrage at the leak of the letter which he and other colleagues had sent to the Prime Minister on defence.

Sir James said that he was very concerned about the prospects for the EH101 helicopter. The Prime Minister's imminent visit to Westland would effectively coincide with the cancellation of the Canadian order. Sir David Steel would be visiting Canada to urge the Canadian Prime Minister to keep the order, but he seemed unlikely to succeed. It was disgraceful that when the Ministry of Defence had decided that they needed the helicopter for the Army, they should be undermined in implementing the decision by certain senior officers afraid of its effect on their own Services. If the UK were to have a mobile force, an armed helicopter was needed. If the Government did not place the order, immense damage would be done to its position in the West Country.

The Prime Minister said that he understood Sir James' concerns. He could not say much about the issue at the moment. Westland had recently won an order from Lockheed. He would see what could be done to expedite the MOD order. Speaking privately, he would try to persuade the Canadians not to cancel their order, but he foresaw little chance of success.

A handwritten signature in the bottom right corner of the page.

Action

I should be grateful for urgent advice on the best means of taking forward further contact with the Canadian Government.

I am copying this letter to Dickie Stagg (Foreign and Commonwealth Office).

WILLIAM CHAPMAN

Peter Ryan Esq
Ministry of Defence



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COMMERCIAL IN CONFIDENCE**

MINISTRY OF DEFENCE
WHITEHALL LONDON SW1A 2HB

Telephone 071-21 82111/2/3

SECRETARY OF STATE

Prime Minister ^①

MO 26/16/1J

*Not possible, I'm afraid, to
give Sir James any commitment,
given (a) the PES round, and (b) the possibility*

27 October 1993

Dear William *(albeit remote) that the army could end up
with all Chinook helicopters and no EH101s
- although a mix is far more likely (see A
below). Line to take is attached.*

wcc 27/x

PRIME MINISTER'S MEETING WITH SIR JAMES SPICER

Sir James Spicer is calling on the Prime Minister on Friday. He will undoubtedly press for the Prime Minister's intervention in favour of an early MOD announcement of an order for the Utility version of the Westland EH101 helicopter. Relevant recent correspondence is attached for ease of reference.

As the Prime Minister knows, in April 1987 the then Defence Secretary announced that MOD would buy 25 of the Utility version of the EH101 helicopter, subject to satisfactory resolution of contractual and other issues. This version has been designed for the "support role" i.e. to move fully armed soldiers. Subsequent military operations and events in Europe have strengthened the requirement for more mobile forces and thus for more support helicopters. Existing ageing aircraft also need early replacement. However, for various reasons, MOD has not actually placed any orders for Utility EH101.

(for example, development problems etc)

Defence Ministers have recently concluded that there are advantages of operational flexibility, as well as industrial and support advantages, in acquiring a number of Utility EH101 helicopters. These would complement existing Chinook heavy lift helicopters. Ministers decided that competitive "No Acceptable Price No Contract" (NAPNOC) negotiations should be conducted with Westland and with Boeing to determine the lowest prices available for both types of helicopters. Such negotiations would involve no financial commitment. Nor would there be any commitments to the purchase of any particular number of helicopters; the number to be purchased would depend on the outcome of the negotiations, as well as affordability. Such a step would not meet Westland's wish for an early order, but would be considered reassuring by the company and its supporters. The Chief Secretary has, however, so far declined

William Chapman Esq
10 Downing Street

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to agree to this approach since he does not believe it possible at this stage of the PES negotiations to rule out abandoning or postponing plans to increase the support helicopter fleet.

In the absence of Treasury agreement, we are not able to announce anything public about our intentions regarding the Utility version of the EH101, beyond that the statement that it remains a strong contender. Unsurprisingly, West Country and other Members of Parliament are becoming increasingly restive. Westland are already working some way below capacity and face a prolonged production trough. They attach high hopes to winning export orders for this version of the helicopter. Recently, however, there have been strong indications that the Dutch will buy a French helicopter in preference to the EH101. This week's Canadian election result also casts a huge cloud over the existing order from the Canadians for 43 helicopters. The new Canadian Prime Minister has long been an opponent of this order and must be expected to cancel it. We are currently considering whether there is anything we can do to influence the new Government's thinking.

At present, therefore, there is nothing that we can recommend that the Prime Minister might say to encourage Sir James Spicer about the Utility EH101. The attached line does, however, reflect that fact that the Government has been a consistent supporter of Westland and of the EH101 programme as a whole, with MOD orders already received for the Merlin version for the Navy and with the DTI having some £60M in the programme against possible sales of the civil variant of the helicopter. The Prime Minister might also express his pleasure at Westland's recent success in winning a £250M order from Lockheed for aircraft engine parts.

Should you require anything further, please let me know.

Yours ever
Peter

(PETER RYAN)
Private Secretary

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PRIME MINISTER'S MEETING WITH SIR JAMES SPICER MP

EH101 Helicopter

Points to make

- Well aware of the case for an early announcement of a decision on MOD's decision on how best to meet their requirement for additional support helicopters.
- Westland's Utility EH101 a very strong contender.
- Government has long supported Westland and the EH101 programme in particular. MOD has supported the EH101 development programme and ordered 44 Merlin versions of the helicopter for the Royal Navy. DTI has invested £60M in the programme with a view to future civil sales.
- Of course a further MOD order would enhance Westland's export prospects. However, Government's procurement policy predicated upon obtaining best value for money in each decision. Meanwhile, Defence Ministers and I have been supporting strongly Westland's export efforts, especially in Saudi Arabia.
- [If pressed on probable loss of Dutch orders] Political factors may well have played a part in influencing the Dutch towards a French purchase. Do not accept that MOD not having ordered EH101 will contribute to losing this contract.
- [If pressed on probable cancellation of Canadian orders] Understand that new Canadian Prime Minister opposed EH101 contract when in opposition. Too early to say whether he will cancel the order now. The Government is considering how we might help influence him positively. Until he has appointed Defence Minister, premature to intervene.

Recent Westland Success

- Good to see that Westland recently won a £250M order from Lockheed.

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5 pages for William Crayman

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10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

29 September 1993

Dear Jim,

Thank you for your letter of 24 August about the Utility EH101 helicopter.

I have taken careful note of your comments about the defence, political, and industrial case for an early announcement of a Ministry of Defence order. As you say, the arguments about the requirement for additional support helicopters, the prospects for exports and the consequent effects on industry do not need rehearsing. They are all well understood and are being taken fully into account in our consideration of this issue. Mindful of the benefits which might accrue from export sales, Defence Ministers have been actively pressing the case for EH101 with their Dutch counterparts.

I can assure you that the Government will make a statement as soon as possible.

Yours Faithfully,
James Spicer

Sir James Spicer MP

SIR JAMES SPICER MP

ANNEX 15

HOUSE OF COMMONS
LONDON SW1A 0AA

The Rt Hon John Major MP
Prime Minister
Whitehall
LONDON SW1A 2AS

24 August 1993

PERSONAL AND CONFIDENTIAL

1 - Prime Minister,

First and foremost, I hope that you had a good break in Portugal and at least for a few days were able to put to one side some of the problems we face at home.

I think this is the first time since I entered the House in 1974 that I have written direct to a Prime Minister in lobbying terms, and I only do so now because I believe that we have a "time bomb" ticking away in the West Country, which could do us enormous damage if it is not diffused.

It concerns the placing of an order for the Utility EH101. There is little need for me to rehearse yet again the case for this order both in military and trade terms because I am sure you and your team know the facts only too well. Also, you will know that at all the meetings you have had with the West Country MPs, I and others have placed this well and truly upon the agenda.

It really does come down to a matter of timing. The army desperately needs this air lift capability. All the Defence Ministers are totally supportive, as indeed are the DTI. In these circumstances, I simply cannot understand why there should be further delay in placing the order. If there is, we will return on the 18th October to a debate on the defence estimates when Ashdown will undoubtedly make much of the non-appearance of the order on behalf of his constituents in Yeovil. Then, quite soon afterwards, the order will have to be placed and throughout the West Country, the claim will be made that the Liberal Democrats forced the government to take action.

However, that in itself is not sufficient cause to place the order now. As I have already said, the need has been established, the order will eventually be placed, and the only result of delay now will be the possible lose of export orders. We need your intervention!

SIR JAMES SPICER

Parliamentary Secretary: Jennie Watt: 071 219 4195
Constituency Secretary: Mrs Angela Charles: 0308 56307
West Dorset Conservative Association: Mrs Sylvia Selby: 0300 21188

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MINISTRY OF DEFENCE
WHITEHALL LONDON SW1A 2HB
Telephone 071-21 82111/2/3

SECRETARY OF STATE

MO 26/16/1J

27 October 1993

Dear William
five

PRIME MINISTER'S MEETING WITH SIR JAMES SPICER

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As the Prime Minister knows, in April 1987 the then Defence Secretary announced that MOD would buy 25 of the Utility version of the EH101 helicopter, subject to satisfactory resolution of contractual and other issues. This version has been designed for the "support role" i.e. to move fully armed soldiers. Subsequent military operations and events in Europe have strengthened the requirement for more mobile forces and thus for more support helicopters. Existing ageing aircraft also need early replacement. However, for various reasons, MOD has not actually placed any orders for Utility EH101.

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10 Downing Street

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In the absence of Treasury agreement, we are not able to announce anything public about our intentions regarding the Utility version of the EH101, beyond that the statement that it remains a strong contender. Unsurprisingly, West Country and other Members of Parliament are becoming increasingly restive. Westland are already working some way below capacity and face a prolonged production trough. They attach high hopes to winning export orders for this version of the helicopter. Recently, however, there have been strong indications that the Dutch will buy a French helicopter in preference to the EH101. This week's Canadian election result also casts a huge cloud over the existing order from the Canadians for 43 helicopters. The new Canadian Prime Minister has long been an opponent of this order and must be expected to cancel it. We are currently considering whether there is anything we can do to influence the new Government's thinking.

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Should you require anything further, please let me know.

Yours ever
Peter

(PETER RYAN)
Private Secretary

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PRIME MINISTER'S MEETING WITH SIR JAMES SPICER MP

EH101 Helicopter

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Recent Westland Success

- Good to see that Westland recently won a £250M order from Lockheed.

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MY TELNO 307: CANADA: EH101 SALE

SUMMARY

1. THE LIBERAL GOVERNMENT LIKELY TO BE ELECTED ON 25 OCTOBER REMAINS COMMITTED TO EARLY CANCELLATION OF THE EH101 PROGRAMME. THIS HAS BEEN REAFFIRMED IN RESPONSE TO RECENT PUBLICITY ABOUT CONTRACT PROBLEMS WITH AGUSTA AND CONFUSION IN THE DEPARTMENT OF NATIONAL DEFENCE ABOUT CANCELLATION COSTS. OUR IMMEDIATE PRIORITY SHOULD BE TO DISSUADE A NEW LIBERAL GOVERNMENT FROM CANCELLING THE CONTRACT AT ONCE. WE SHALL NEED TO WORK ON THE NEW DEFENCE MINISTER BUT ON BALANCE I THINK IT WOULD BE UNHELPFUL FOR MR MAJOR TO RAISE EH101 WITH CHRETIEN DIRECT WHEN CONGRATULATING HIM ON THE ELECTION RESULT.

DETAIL

2. JEAN CHRETIEN, WHO WILL BECOME CANADIAN PRIME MINISTER IF THE LIBERALS WIN THE FEDERAL ELECTION ON 25 OCTOBER, HAS REPEATEDLY SAID THAT A LIBERAL GOVERNMENT WILL CANCEL THE EH101 HELICOPTER DEAL (ALREADY REDUCED BY THE CONSERVATIVE GOVERNMENT FROM 50 TO 43 AIRCRAFT). CHRETIEN HAS IDENTIFIED THE EH101 AS A SYMBOL OF THE FAILURE OF THE CONSERVATIVE GOVERNMENT TO ADJUST TO CANADA'S NEW SECURITY NEEDS FOLLOWING THE END OF THE COLD WAR, AND OF DISTORTED BIAS IN PUBLIC EXPENDITURE TOWARDS DEFENCE SPENDING RATHER THAN EG DIRECT MEASURES TO STIMULATE EMPLOYMENT.

3. ON 20 OCTOBER CHRETIEN REAFFIRMED HIS COMMITMENT TO CANCEL THE EH101 ORDER, FOLLOWING REVELATIONS THAT AGUSTA, THE ITALIAN PARTNER IN EHI, MISSED A CONTRACT DEADLINE LAST WEEK. CHRETIEN ACCUSED THE CONSERVATIVE GOVERNMENT OF ACTING IRRESPONSIBLY IN NOT TAKING ADVANTAGE OF THIS TO CANCEL THE EH101 AT ONCE, THUS

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SAVING POSSIBLE CANCELLATION PENALTIES.

4. THE LIBERALS HAVE ALSO REACTED ANGRILY TO CONFUSION IN STATEMENTS BY THE DEPARTMENT OF NATIONAL DEFENCE (DND) ABOUT HOW MUCH CANCELLATION WOULD COST. A DND SPOKESMAN CLAIMED LAST WEEK THAT THE GOVERNMENT WOULD HAVE TO WRITE OFF NEARLY C800 MILLION, QUITE APART FROM THE COST OF UPGRADING CANADA'S 30-YEAR-OLD SEA KING AND 35-YEAR-OLD LABRADOR SEARCH AND RESCUE HELICOPTERS IN PLACE. STURGEON (DEPUTY SECRETARY-EQUIVALENT, DND) HAS SINCE TOLD THE PRESS THAT THE C800 MILLION FIGURE HAD NO AUTHORITY AND THAT DND HAD NO SUCH ESTIMATE. BUT DND HAVE TOLD US PRIVATELY THAT THEY CALCULATE THE TOTAL WRITE-OFF AS BEING ABOUT C840 MILLION, INCLUDING C500 MILLION ALREADY SPENT AND DIRECT CANCELLATION COSTS OF C250 MILLION.

5. IT WILL NOW BE EVEN HARDER TO GET CHRETIEN TO GO BACK ON HIS WORD. I SPOKE TODAY TO ROY MACLAREN (LIBERAL TRADE SPOKESMAN AND PROSPECTIVE TRADE MINISTER) WHO HAD TOLD ME IN LATE SEPTEMBER THAT HE HAD TRIED TO ARGUE AGAINST OUTRIGHT CANCELLATION OF EH101 IN FAVOUR OF FURTHER REDUCING THE NUMBERS TO, SAY, 35: THIS HAD MADE NO IMPACT IN THE PRE-ELECTION ATMOSPHERE, BUT HE THOUGHT CLEARER CALCULATIONS COULD PREVAIL ONCE THE ELECTIONS WERE OVER. MACLAREN NOW BELIEVES HOWEVER THAT CANCELLATION IS INEVITABLE, THOUGH HE STILL HOPES THE DECISION TO CANCEL WILL NOT BE TAKEN AT ONCE.

6. AGAINST THIS BACKGROUND, I HAVE REVIEWED WHAT WE MIGHT DO TO DISSUADE A NEW LIBERAL GOVERNMENT FROM ACTING PRECIPITATELY. OUR IMMEDIATE OBJECTIVE SHOULD BE TO GET THE NEW GOVERNMENT TO HOLD ITS HAND UNTIL IT HAS CONDUCTED A PROPER REVIEW OF THE OPTIONS AND PREFERABLY UNTIL THE NATO SUMMIT, WHICH IS LIKELY TO OFFER THE FIRST OPPORTUNITY FOR A MEETING BETWEEN THE TWO HEADS OF GOVERNMENT. JUDD (ASSISTANT SECRETARY TO THE CABINET) TOLD ME TODAY THAT THE NEW GOVERNMENT WOULD BE ADVISED NOT TO TAKE ANY IRREVOCABLE DECISION UNTIL IT HAD CONDUCTED A WIDER REVIEW OF THE DEFENCE PROGRAMME.

7. I HAVE CONSIDERED IN PARTICULAR WHETHER TO RECOMMEND THAT MR MAJOR SHOULD UNDERLINE THE CONTINUING HIGH-LEVEL INTEREST IN THE CONTRACT BY REFERRING TO THE EH101 IN HIS MESSAGE OF CONGRATULATIONS TO CHRETIEN IMMEDIATELY AFTER THE EXPECTED LIBERAL VICTORY (MIFT, NOT TO ALL). THIS MIGHT INCLUDE A SENTENCE ABOUT THE BILATERAL DEFENCE RELATIONSHIP, ON THE LINES OF 'WE PARTICULARLY VALUE OUR DEFENCE RELATIONSHIP WITH CANADA,

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INCLUDING OUR CURRENT CLOSE COOPERATION IN PEACEKEEPING IN FORMER YUGOSLAVIA AND OUR JOINT INTEREST IN THE EH101 HELICOPTER.' ON BALANCE, I HAVE CONCLUDED THAT ANY REFERENCE TO EH101 WOULD MERELY IRRITATE CHRETIEN AND RISK PUTTING THE RELATIONSHIP WITH HIM OFF ON THE WRONG FOOT.

8. DEPENDING ON DEVELOPMENTS IN THE NEXT WEEK OR SO, IT WILL PROBABLY STILL BE ADVISABLE TO INCLUDE A STRONG DEFENCE OF EH101 IN AN EARLY MESSAGE FROM MR RIFKIND TO THE NEW MINISTER OF NATIONAL DEFENCE, WHO IS UNLIKELY TO BE APPOINTED UNTIL THE BEGINNING OF NOVEMBER, A WEEK OR SO AFTER THE ELECTION. WE SHALL SEND A DRAFT SEPARATELY TO MODUK. THE MESSAGE WOULD STRESS THE IMPORTANCE OF THE EH101 TO CANADA'S DEFENCE CAPABILITY IN NATO AND OTHER (POSSIBLY INCLUDING PEACEKEEPING) CONTEXTS: THE DEGREE TO WHICH WE CONTINUE TO VALUE OUR COLLABORATION WITH THE CANADIANS ON DEFENCE MATTERS; AND THE SIGNIFICANCE OF EH101 FOR CANADA'S OWN DEFENCE AND ELECTRONICS INDUSTRIES. WE WOULD ALSO NEED TO CONSIDER WHETHER TO FOLLOW UP WITH OTHER NEW LIBERAL MINISTERS, INCLUDING MACLAREN, ONCE THE FULL GOVERNMENT IS ANNOUNCED.

BAYNE

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MR BEAMISH

ADDITIONAL

18

PAGE 3
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WESTLAND GROUP plc

4 CARLTON GARDENS,
PALL MALL,
LONDON SW1Y 5AB

From:

Sir Leslie Fletcher, DSC, FCA
Chairman

TEL: 071-839 4061

FAX: 071-930 0482

NFA Br 10/10

10/10

15 October, 1993

Dear Prime Minister,

Sir Leslie is away from the office at the moment and has asked me to thank you for your letter of 12 October.

Sir Leslie looks forward to seeing you at Westland in Yeovil on Friday 5 November. Doubtless your office will be in touch to fix details of the visit.

Yours sincerely,

Kathleen Griffin

Mrs K. Griffin
Secretary to the Chairman.

Rt. Hon. John Major, Esq., M.P., P.C.,
10 Downing Street,
London, SW1A 2AA.

arB



MINISTRY OF DEFENCE
WHITEHALL LONDON SW1A 2HB
Telephone 071-21 82111/2/3

*Dyn to type
for R*

SECRETARY OF STATE

MO 26/16/1M

23 September 1993

Dear Mary

EH101 HELICOPTERS

Following consultation with the Treasury, I attach draft replies for the Prime Minister to send to the letters from Sir Nicholas Bonsor MP and Barry Field MP which were attached to your letters of 9 September. You will be aware of the background from previous correspondence, including our letters of 27 August and 3 and 17 September.

I am copying this to Peter Wanless, Private Secretary to the Chief Secretary to the Treasury.

Yours ever

Peter

(P RYAN)
Private Secretary

Mrs Mary Francis
PS/Prime Minister



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File

061720
MDHOAN 8231

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FM FCO
TO DESKBY 200645Z THE HAGUE
TELNO 102
OF 181408Z SEPTEMBER 93

SUBJECT
MASTER ✓

Filed on:

FROM RESIDENT CLERK
MESSAGE TO THE DUTCH PRIME MINISTER: EH101

1. The following message should be delivered to the Dutch Prime Minister's office first thing on Monday morning, 20 September:

Begins

Dear Ruud

I understand that your government may soon be taking a decision on the type of support helicopter to be bought for your armed forces.

I am writing to say that we hope you will consider the merits of the Westland EH101 helicopter very carefully. We greatly value the cooperation between our armed forces, such as the UK/NL amphibious force. We would like to extend that cooperation to support helicopters.

The EH101 helicopter has all the benefits of a modern design. It is a manoeuvrable, versatile and high capacity support aircraft. Our confidence in its airframe has already been demonstrated by our decision to purchase 44 of the Merlin naval helicopters. I believe that the EH101 proposal would benefit industry in both our countries. There would be direct participation by Dutch, as well as Italian and British, countries.

May I therefore record my strong support for the proposal which Westland helicopters have made to your government?

Yours sincerely

John Major

Ends

PAGE 1
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2. There will not be a signed original.

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MR GREENSTOCK
RESIDENT CLERK

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colB

10 DOWNING STREET
LONDON SW1A 2AA

18 September 1993

From the Private Secretary

Dear John,

WESTLAND EH101

Thank you for your letter of 17 September, which reached me minutes before the Prime Minister's departure from No.10 for Tokyo.

The Prime Minister has approved an amended version of the draft message to Mr. Lubbers. I enclose a copy. I have separately asked the FCO Resident Clerk to arrange for this to be delivered in The Hague first thing on Monday morning.

I should record that the Prime Minister felt that the draft text enclosed with your letter fell far below an acceptable standard. The style of the message was heavily bureaucratic and ponderous. The argumentation (for example in paragraph 4, now deleted) was embarrassingly weak. There is no way in which he would have agreed to sign a communication to a close European partner couched in these terms. It would help me to handle draft messages speedily if they could be written in plain English.

I am copying this letter to Peter Wanless (Chief Secretary's Office), Dickie Stagg (Foreign and Commonwealth Office) and Malcolm Scott (Minister for Industry's Office).

Yours ever,
Roderic

RODERIC LYNE

John Pitt-Brooke, Esq.,
Ministry of Defence.

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*file
celb*

10 DOWNING STREET

LONDON SW1A 2AA

18 September 1993

*From the Private Secretary**Dear Resident Clerk,*

MESSAGE TO THE DUTCH PRIME MINISTER

I would be grateful if you could arrange for the message which follows to be telegraphed to our Embassy at the Hague, for delivery to the Dutch Prime Minister's office first thing on Monday morning.

There will not be a signed original.

Yours ever,
Roderic Lyne
RODERIC LYNE

The Resident Clerk,
Foreign and Commonwealth Office.

RESTRICTED

D

MESSAGE FROM THE PRIME MINISTER TO
HIS EXCELLENCY DRB RUUD F LUBBERS

Dear Ruud

I understand that your government may soon be taking a decision on the type of support helicopter to be bought for your armed forces.

I am writing to say that we hope you will consider the merits of the Westland EH101 helicopter very carefully. We greatly value the cooperation between our armed forces, such as the UK/NL amphibious force. We would like to extend that cooperation to support helicopters.

The EH101 helicopter has all the benefits of a modern design. It is a manoeuvrable, versatile and high capacity support aircraft. Our confidence in its airframe has already been demonstrated by our decision to purchase 44 of the Merlin naval helicopters. I believe that the EH101 proposal would benefit industry in both our countries. There would be direct participation by Dutch, as well as Italian and British, companies.

May I therefore record my strong support for the proposal which Westland helicopters have made to your government?

Yours sincerely

JOHN MAJOR

RESTRICTED

*File
cells*

10 DOWNING STREET

LONDON SW1A 2AA

18 September 1993

*From the Private Secretary**Dear Resident Clerk,*

MESSAGE TO THE DUTCH PRIME MINISTER

I would be grateful if you could arrange for the message which follows to be telegraphed to our Embassy at The Hague, for delivery to the Dutch Prime Minister's office first thing on Monday morning.

There will not be a signed original.

Yours etc,
Roderic Lyne
RODERIC LYNE

The Resident Clerk,
Foreign and Commonwealth Office.

RESTRICTED

D

MESSAGE FROM THE PRIME MINISTER TO
HIS EXCELLENCY DRB RUUD F LUBBERS

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May I therefore record my strong support for the proposal which Westland helicopters have made to your government?

Yours sincerely

JOHN MAJOR

R17/9



MINISTRY OF DEFENCE
WHITEHALL LONDON SW1A 2HB
Telephone 071-21 82111/2/3

SECRETARY OF STATE

MO 26/16/1G

17 September 1993

Dear William

GK ✓
Could I see
copy to
Colvin please
with
20/8

GK cf papers
Thanks
Could I also
see x please
etc

SUPPORT HELICOPTERS

In the light of the Prime Minister's letter of 14th September to Mr Ashdown, I attach the outstanding replies to Sir James Spicer, Mr Peter Griffiths and Mr David Nicholson. These are similar to the letter which the Prime Minister sent to Mr Michael Colvin on 11th September. The background remains as set out in our letters of 27th August and 3rd September.

I am copying this (with copies of the Nicholson and Spicer letters) to Peter Wanless (Treasury), and to Malcolm Scott (DTI).

Yours ever
Peter

(P RYAN)
Private Secretary

William Chapman Esq
10 Downing Street



Recycled Paper

(7)

DRAFT LETTER FROM THE PRIME MINISTER TO SIR JAMES SPICER MP

Thank you for your letter of 24th August about the Utility EH101 helicopter.

I have taken careful note of your comments about the defence, political, and industrial case for an early announcement of a Ministry of Defence order. As you say, the arguments about the requirement for additional support helicopters, the prospects for exports and the consequent effects on industry do not need rehearsing. They are all well understood and are being taken fully into account in our consideration of this issue. Mindful of the benefits which might accrue from export sales, Defence Ministers have been actively pressing the case for EH101 with their Dutch counterparts.

I can assure you that the Government will make a statement as soon as possible.

alb
PC



MINISTRY OF DEFENCE
WHITEHALL LONDON SW1A 2HB
Telephone 071-21 82111/2/3

Prime Minister

SECRETARY OF STATE

MO 14/11J

17 September 1993

This is a pretty weak message. But it will do no harm (probably no good - signs are the Dutch don't like EH101).

I recommend you send it mainly to protect your domestic flank. (and would bear a

Dear Roderic (refusal to Westland) Content to issue soon?

DUTCH HELICOPTER PROCUREMENT; WESTLAND EH101

R M J Lyne
12

Telegrams from The Hague this week have reported reactions to the presentations on support helicopters made to the Dutch Parliamentary Defence Committee. Our Embassy advises that it would be appropriate for the Prime Minister to intervene at this critical stage of the procurement decision in order to support the case for Westland's EH101 against the Sikorsky Black Hawk and Eurocopter Cougar contenders.

It has been confirmed in confidence that the French President has pressed Mr Lubbers to decide in favour of Cougar, with a mood of urgency created in which highest level representations are important. Despite the efforts of Defence Ministers here, the Prime Minister's intervention is also needed to take the message beyond the Dutch MOD, where EH101 has detractors, to other departments which are more supportive.

You will be aware of the background and of recent Parliamentary interest here from my letter of 3rd September. The message which our Embassy has proposed is stronger than can be made in the absence of a decision to make an early announcement of our own intention to commence negotiations on EH101 procurement. We believe, however, that a message on the lines of the attached draft would still be a worthwhile reinforcement of the representations which Mr Rifkind and Mr Aitken have already made to their Dutch counterparts. We hope that, if the Prime Minister agrees, you will be able to send this very soon.

If there is still time to influence the Dutch, a further letter suggesting joint negotiations for EH101 procurement (with potential economies of scale) could perhaps be sent when our own intentions have been announced.

R M J Lyne Esq CMG
10 Downing Street



RESTRICTED

I am copying this to Peter Wanless (Chief Secretary's office), Dickie Stagg (FCO) and Malcolm Scott (Minister for Industry's office).

Yes 

(J S PITT-BROOKE)
Private Secretary

RESTRICTED

[Time had learned
to write English!!]

RESTRICTED

DRAFT LETTER FROM PRIME MINISTER TO MR LUBBERS

Dear Ruud

I value the

1. ~~The level of cooperation between our armed forces is to me a valuable sign of the friendship between our countries, exemplified in the success of the UK/NL amphibious force. Malcolm Rifkind has written to Relus ter Beek about the potential for cooperation extending to the area of support helicopters. With the important procurement decision now facing you in that area I wish to record my strong support for the proposal which features the Westland Helicopters EH101.~~

such as
we would like to extend that cooperation to
may I therefore
be by

2. Like you, we face timing and budgetary constraints as well as demanding operational requirements for our airmobile forces' medium support helicopter fleet. Operational and support benefits from a mixed fleet of Boeing Chinook and Westland EH101 attract us to this option, subject, of course, to affordability and price, in preference to ones involving any other type of helicopter.

The helicopter

3. EH101 has all the benefits of a modern design. It is a manoeuvrable, versatile and high capacity support aircraft. Our confidence in its airframe has already been demonstrated by our decision to purchase 44 of the Merlin naval helicopter. From an industrial viewpoint, the EH101 proposal ~~I believe~~ *I believe that* ~~has~~ *would* ~~benefits~~ *industry in* for both our countries; there would be direct participation by Dutch, industry as well as Italian and British, companies.

RESTRICTED

YS
John

RESTRICTED

4. Standardisation and operational integration are important between our countries, particularly in the airmobile forces in the light of the important NATO roles which we both play in the ARRC. EH101 flying in The Netherlands markings would not only represent a modern and capable enhancement to your forces, but would also be another valuable sign of European identity and Anglo-Dutch cooperation. It could also open the door for economies of scale in training and support costs.

*Applies to
the
competition
too.
Bureaucratic
shit.*

5. I do hope that you will be able to give the EH101 the favourable consideration which it deserves.

RESTRICTED



CF

SM
CMBD
HMT
DTI
GB

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

14 September 1993

Handwritten scribbles

Thank you for your letter of 27 August about the EH101 helicopter.

As I have explained in separate correspondence with Sir Leslie Fletcher of Westland, we are not yet in a position to make an announcement, for the reasons given by Jonathan Aitken in the Consolidated Fund debate on 27 July. I shall of course ensure that you are informed when a decision is made.

*Yours faithfully,
John*

The Right Honourable Paddy Ashdown, M.P.

kn/81



10 DOWNING STREET
LONDON SW1A 2AA

eu
CC 705
HMT
DTI
GB

THE PRIME MINISTER

11 September 1993

Dear Michael,

Thank you for your letter of 18 August about EH101, which I have been considering in conjunction with one from Sir Leslie Fletcher.

I have noted your comments about the defence and industrial case for an early announcement of negotiations for procurement of EH101 utility helicopters. The significance of the Dutch timescale is well recognised by Defence Ministers who have been active in pressing the case for EH101 with their Dutch counterparts.

Much has changed since George Younger made his statement in 1987. Jonathan Aitken set out the complex web of factors which we have had to consider in the intervening years when he replied to the debate in which you and several hardy colleagues participated in the early hours of 27 July. He stated that there would seem to be clear operational and support attractions in a mixed fleet solution, as well as industrial advantages, but prices would be crucial to our choice. Overall value for money is indeed the key to which we look in the broad context of public expenditure. I have noted your preferred timescale and content for a statement on the way forward. I can assure you that we shall make an announcement as soon as we can.

Yours Ever,
John

Michael Colvin, Esq., M.P.

eu



cc MOD
HMT
DTI

cu

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

11 September 1993

Dear Leslie,

Thank you for your letter of 9 August and for bringing the matter of our future military support helicopters to my attention. The points you have made are being taken into account in the Government's consideration of this issue, which I recognise is important for both defence and industrial reasons.

I appreciate your kind remarks about the efforts of Jonathan Aitken, as Minister of State for Defence Procurement, to persuade the Dutch to buy EH101. I know that Defence Ministers will continue to press the case vigorously with their Dutch counterparts.

From our own viewpoint, as Jonathan Aitken made clear in concluding the debate on support helicopters in the House on 27 July, to which you refer, overall value for money is the key and prices would be crucial to our choice. I am sure that your approach is taking this fully into account. I have noted your preferred timescale for a statement on the way forward; I can assure you that the Government will make an announcement as soon as it can.

Yours Ever,
John H.

Sir Leslie Fletcher, D.S.C.

cu

Field MP

23/9



SM

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

9 September 1993

I enclose a copy of a letter which the Prime Minister has received from Barry Field, M.P.

I should be grateful if you would provide a draft reply for the Prime Minister's signature, to reach this office by Thursday 23 September.

MRS. MARY FRANCIS

Peter Ryan, Esq.,
Ministry of Defence.

SM

*Discussed by Alan Rosbury
with PH on 7/12*

CONFIDENTIAL

PRIME MINISTER

7 September 1993

cc Mr Lyne
Mrs Hogg
Mr Hill
Mr Bright

EH 101 HELICOPTER

You will have seen that Sir James Spicer wrote to you on 24 August urging you to intervene to expedite the order for support helicopters. Treasury are (in my view sensibly) delaying the order until after decisions on defence strategy and hence PES.

Sir James rang me again today to re-emphasise the strength of his feelings, and those of colleagues. He sees it as vital that the order is placed before the return of Parliament. He does not want to see Mr Ashdown making capital of a postponed decision. He pointed out that you are visiting the West Country tomorrow and that this would be an ideal moment to announce the decision in favour of Westland. He also reminded me that Westland will only have a chance (however slim) of securing the Dutch order if we have bought the EH 101 ourselves.

LTC 93 includes about £1 billion for support helicopters. Cuts to the support helicopter budget would probably be necessary even if we decided to keep the MoD baseline flat in PES 93 (option B/C). If cuts of £1 billion (option D) were to be made from the baseline the MoD would probably still buy some helicopters (perhaps £300 million). However, because of their heavy lift capability we will need at least some new Chinocks. Below a certain order size the diseconomies of splitting the buy between two helicopter types become prohibitive. Hence if numbers of the support helicopter were to be reduced it is by no means certain that we would buy any EH 101s.

CONFIDENTIAL

You are meeting colleagues to discuss Defence and Overseas Strategy on 12th October. At that meeting the implications for the various levels of Defence cuts will be exposed. I think it would be a mistake to pre-empt that discussion and PES by announcing a decision to buy support helicopters, or as MoD suggest entering into negotiations with Boeing and Westland on a NAPNOC basis (which will be interpreted as a firm decision to buy).

ARR

ALAN ROSLING

566.ar

cepu
LRS

The Rt. Hon. Michael Heseltine MP
President of the Board of Trade



William Chapman Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1A 2AA

*Rod,
I'm not sure what you did
with the notes on this. I passed to
you last week, but here's another!*
WJ
6/9
File

Secretary of State
Department of
Trade and Industry

Ashdown House
123 Victoria Street
London SW1E 6RB

Direct line
071-215 4440

DTI Enquiries
071-215 5000

6 September 1993

Dear William

SUPPORT HELICOPTERS

I have seen John Pitt-Brooke's note of 27 August 1993 to you, covering a background note on the above. I should like to reinforce some of the points made.

You will be aware that DTI is investing £60 million of launch aid in the civil version of the EH101. We are therefore very keen to see Westland win as many EH101 orders as possible, as we are due to receive levy returns on export sales of the military as well as civil versions. Officials here believe that the early announcement advocated by Mr Aitken is crucial to Westland's chances of winning an order in the Netherlands, where a decision is imminent. An announcement would also be beneficial to Westland's marketing efforts in other countries such as Saudi Arabia and the USA where sales prospects would be virtually destroyed by a decision not to order the utility EH101. Such a decision would send a clear negative signal to the world market.

Our wider interest is of course the industrial one. The future of Westland as a manufacturer of complete helicopters depends upon the success of the EH101. The likelihood of DTI recovering its launch aid in turn depends upon the success of a utility version of the EH101. Whilst Westland has taken some orders already for the military version, the company needs to look to business beyond Merlin and the Canadian orders (the size of which is now reported to be under threat). An order by the RAF could significantly enhance prospects for the helicopter at this crucial moment. Many jobs will be safeguarded by an order for the utility EH101 and there can be no doubt that a decision not to order it will be perceived as exporting jobs from Britain to the USA.

I am copying this letter to John Pitt-Brooke.

yours Elizabeth.

ELIZABETH JONES
Private Secretary

JW9007



NICHOLSON MP

17/9



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

Ack/ 3 September 1993

I enclose a copy of a letter which the Prime Minister has received from David Nicholson MP.

I should be grateful if you would provide a draft reply for the Prime Minister's signature, to reach this office by Friday 17 September.

I am copying this correspondence to Jo Dagustun (HM Treasury).

MRS. MARY FRANCIS

Peter Ryan, Esq.,
Ministry of Defence.

ecu

ecu

CONFIDENTIAL

PRIME MINISTER

Alan R. / A. refer re.
should waving (asap)
/ 5.9

WESTLAND EH101 SUPPORT HELICOPTERS FOR THE RAF

A number of MPs (including Paddy Ashdown, Jim Spicer and Michael Colvin) are lobbying strongly on Westland's behalf for an early announcement that MOD is to open negotiations for the purchase of EH101 helicopters. Ideally, they would like the announcement to have been made on Monday 6 September. The subject may well be raised with you when you visit the West Country on 8 September (Taunton is pretty close to the Westland base at Yeovil). Jim Spicer has also been on to Norman Fowler, who is visiting Party organisations in the West on Tuesday.

The problem is summarised in the note by Alan Rosling at Flag A. There are also letters from Michael Portillo and from ^{the P.S. to} Malcolm Rifkind (at Flags B and C) - but their key points are covered in Alan's summary.

In a nutshell:

- Malcolm Rifkind wants to announce a decision to buy a mixed fleet of Westland EH101s and Boeing Chinooks;
- but Rifkind has listed the support helicopter among the cuts he would have to make if he was required to find a £1 billion saving in the defence budget;

CONFIDENTIAL

CONFIDENTIAL

- 2 -

- Portillo has therefore argued that the decision cannot be announced before the Survey is concluded.

If we are to keep the PES options open, as we presumably must, I see no alternative to delay this long-awaited decision for a further two months or so.

If you agree, could you **sign the attached letters to Sir Leslie Fletcher of Westland and to Michael Colvin?** Replies to other lobbyists will then take a similar, holding line.

Roderic

RODERIC LYNE

3 September 1993

f\westland.slh

CONFIDENTIAL

CONFIDENTIAL



SECRETARY OF STATE

MINISTRY OF DEFENCE
WHITEHALL LONDON SW1A 2HB

Telephone 071-21 82111/2/3

*Reply in separate
copy.*

File this.

*Subject discussed
with pm 7/9*

3 September 1993

MO 26/16/1J

*Turn
10/9*

Dear Robert

EH101 *with re?*

Your letter to Peter Ryan of 1st September asked for a reply to the letter from Paddy Ashdown about EH101. You have also referred to us letters which the Prime Minister has received from Sir James Spicer and Peter Griffiths. I have already let you have draft advice on how the Prime Minister might reply to letters from Michael Colvin and Leslie Fletcher.

The position remains as set out in the background note to the advice in my letter of 27th August. The plan to procure additional support helicopters has been announced by the Government. The Defence Secretary now wishes to announce "No Acceptable Price No Contract" (NAPNOC) negotiations to determine the lowest prices available for Chinook and EH101 helicopters. Recognising the importance of the timing of this for the Dutch helicopter procurement decision, the Minister for Defence Procurement had proposed to make the announcement at the RN and Army Equipment exhibition next week. The Chief Secretary has declined to agree because at this stage of the PES negotiations he does not believe it possible to rule out abandoning or postponing our plans.

The Secretary of State for Defence remains keen to make an early announcement on the way forward on support helicopters. He does not consider that this would prejudge the forthcoming PES discussions where what is at issue is the size of any helicopter purchase not the need for some additional support helicopters. The announcement that he proposes to make would not specify the number of helicopters to be procured and would make clear that the number would depend upon the price offered during the negotiations, as well as on affordability. There would be no guarantee of any orders for either company (a crucial feature of the No Acceptable Price No Contract procedure).

R M J Lyne Esq CMG
10 Downing Street

CONFIDENTIAL



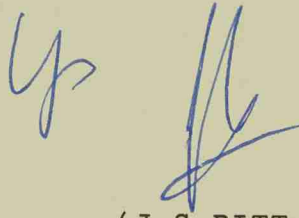
Recycled Paper

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The Secretary of State accordingly remains of the view that there would be every advantage and no risk in an early announcement. The terms of the announcement could be agreed between MOD and Treasury officials. A draft reply to Mr Ashdown MP on this basis is accordingly attached.

If the Prime Minister decides in favour of such an approach, the letters to Mr Colvin and Sir Leslie Fletcher (if they have not already gone), as well as to Sir James Spicer and Peter Griffiths, could be in the same terms as that to Mr Ashdown. We could then send them copies of the announcement when made.

I am copying this (with copies of the Ashdown, Griffiths and Colvin letters) to Peter Wanless in the Chief Secretary's office and to Malcolm Scott (Minister for Industry's Office).



(J S PITT-BROOKE)
Private Secretary

CONFIDENTIAL

DRAFT LETTER FROM PRIME MINISTER TO THE RT HON PADDY ASHDOWN MP

Thank you for your letter of 27 August regarding the EH101 helicopter.

I have noted your comments about the case for EH101 and for an announcement regarding our procurement intentions for support helicopters at the Royal Navy and Army Equipment Exhibition next week. We hope to be in a position to make an announcement soon and I shall ensure that you are notified of its contents.

CONFIDENTIAL

cst.ps/dr/2mp2.9

SECRET

000721

Treasury Chambers, Parliament Street SW1P

071-270 5000

Fax 071-270 5456

Jonathan Aitken Esq MP
Minister of State for Defence Procurement
Ministry of Defence
Main Building
London
SW1

2 September 1993

*Dear Jonathan***RAF SUPPORT HELICOPTERS**

Thank you for your letter of 26 August.

2. I am not persuaded by the argument that the Netherlands will base its procurement decisions on what we do or do not say next Monday. They will have many other factors to take into account.

3. In any event, my view remains that an announcement now, however carefully crafted, would only make it more difficult to change our plans if it proves necessary after the conclusion of the Survey.

4. I am also surprised that you should consider that the need for some additional support helicopters is not in dispute. You are aware of the savings which I am seeking from the Defence budget, and it is Malcolm Rifkind's best advice that to achieve these savings we would need to abandon further orders for support helicopters. I cannot agree to announcements now which would only add to the political difficulty of making such savings, should Cabinet so decide.

5. I am copying this letter to Tim Sainsbury.

*Yours etc**Michael***MICHAEL PORTILLO****SECRET**

ASHDOWN MP

319



10 DOWNING STREET
LONDON SW1A 2AA

Chased 3/9

From the Private Secretary

A/ 1 September 1993

I enclose a copy of a letter which the Prime Minister has received from the Rt. Hon. Paddy Ashdown MP.

I should be grateful if you would provide an urgent draft reply for the Prime Minister's signature, to reach this office by 1400 hours on Friday 3 September.

RODERIC LYNE

Peter Ryan, Esq.,
Ministry of Defence

ds

GRIFFITHS MP
1579

EA



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

Adams 1 September 1993

I enclose a copy of a letter which the Prime Minister has received from Peter Griffiths MP.

I should be grateful if you would provide a draft reply for the Prime Minister's signature, to reach this office by Wednesday 15 September.

MARK ADAMS

Peter Ryan Esq
Ministry of Defence

KW

From: SIR JERRY WIGGIN, T.D., M.P.
Member of Parliament for Weston - super - Mare

122878



HOUSE OF COMMONS
LONDON SW1A 0AA

Tel: 071- 219 4466

Fax: 071- 219 5937

The Rt.Hon.John Major M.P.
Prime Minister.
10,Downing Street,
London SW1

27th. August 1993

Dear Prime Minister,

I do not seek your help very often but I must draw your attention to the dispute that has apparently arisen between the Ministry of Defence and the Treasury over the long awaited order of EH101 Helicopters for the R.A.F.to use in support of the Army.

The military requirement has been clear for many years to those of us interested in defence matters and it is self evident that there is a chronic shortage of helicopters today. As long ago as George Younger's time it was announced that an order for the utility version of the EH101 would be made and it is scandalous that nothing has been done before now.

It is excellent that Jonathan Aitken has at last grasped the nettle and most commendably resolved the issue within the MOD. We had a well attended debate on this subject in the early hours of the morning during the Consolidated Fund and he was most helpful and reassuring. My only concern being that we are still buying Chinooks from America when we could be working towards an all EH101 fleet.

I now learn that the Treasury have put a block on announcing the order for the EH101s at the Army and Navy Equipment Exhibition which opens next week. *6th Sept.* This of course puts a question mark on the project and will probably lead to the Dutch buying elsewhere.

We did raise this with you when you kindly saw West Country Members earlier in the year and I cannot emphasise too strongly how damaging any further delay would be to the Government's reputation . The apparent inability to reach firm conclusions is being mentioned as a weakness of the Government and I know that you will wish to prove that a myth. This is not special pleading by Westlands but an urgent defence requirement that can be filled by using a fine British aircraft.

I do hope that you can help urgently.

Yours ever
Jerry

The Rt Hon Paddy Ashdown MP



HOUSE OF COMMONS
LONDON SW1A 0AA

Rt Hon John Major MP
Prime Minister
10 Downing Street
LONDON
SW1A 2AA

Our ref :- CEMC//C/Westland
Date :- 27 August 1993

Dear John

As you no doubt know, I have been keeping in regular touch with Malcolm Rifkind and Jonathan Aitken on the EH101 helicopter programme. I am very appreciative of the close contact which Malcolm and Jonathan have maintained on this vital matter with Menzies Campbell, our Defence spokesman, and myself, and the constructive and helpful attitude they have taken towards Westland.


However, I remain extremely concerned by the continuing delay in the Government's announcement on the purchase of the Utility EH101 for the Royal Air Force. As is clear from the proceedings of the Defence Select Committee and from the Consolidated Fund debate on RAF Support Helicopters on 27 July, such an announcement has strong all-party support in the House of Commons. It is not, as I know you appreciate, just a local constituency interest in Yeovil. This decision will be important for aerospace jobs all over Britain. It is the necessary pre-condition for obtaining substantial orders abroad, amounting in the long term to sales of up to 750 aircraft. Further delay can only jeopardise the EH101's export potential, and ultimately, jobs right across Britain.

As you know, Westland's negotiations with the Dutch Government are at a crucial stage. A British Government announcement is essential if the EH101 Utility is to stand any chance of selection for the Netherlands Support Helicopter requirement in September.

While I understand the negative Treasury position on any such announcement, due to the urgent need to control short-term expenditure, I believe that the decision to go ahead would only lead to relatively small costs in the first two years. On the other hand, an announcement, soon, clearly makes sound sense in military, industrial and trading terms.

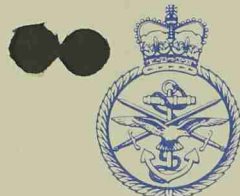
I hope you will feel able to lend your support to an announcement of commitment to Utility EH101 for the RAF at the opening of the Royal Navy and British Army Equipment Exhibition on 6 September 1993.

Yours sincerely


Paddy Ashdown MP

Dictated by Mr Ashdown and signed in his absence





SECRET UK EYES A

MINISTRY OF DEFENCE
WHITEHALL LONDON SW1A 2HB
Telephone 071-21 82111/2/3

R27/8
C

SECRETARY OF STATE

MO 26/16/1 m

*Rod,
Any views on this topic?
We have also just received a
letter from Sir Jerry Higgins (attached
at back)*

27 August 1993

*MMA
31/8*

Dear William,

SUPPORT HELICOPTERS

In response to Alex Allan's letter of 9 August and yours of 23 August, I attach draft replies to the letters to the Prime Minister from Sir Leslie Fletcher (Chairman of Westland Group plc) and Michael Colvin MP.

Both letters seek an early announcement by Defence Ministers of No Acceptable Price No Contract (NAPNOC) negotiations with Westland for the purchase of utility EH101 helicopters. There has been strong Parliamentary and industrial lobbying for an announcement, and we can expect further representations on the same subject. The letters both make the point that, as well as the importance of placing an order for the RAF, it is also important that we should indicate our support for the EH101 in view of the imminent Dutch decision on support helicopter procurement: the Dutch MOD is considering EH101 among other helicopters and their decision is more likely to go against Westland if we have not ourselves shown our support for EH101.

The position is as follows. As announced in the July Defence White Paper, there is a clear military requirement for more support helicopters, for which there is provision within the Defence Budget. The Defence Secretary is keen to make an early announcement on the way forward which he believes would be widely welcomed both within and outside the House. The Minister for Defence Procurement, supported by the Minister for Industry, has put the case to the Treasury, but they have so far declined to agree, as outlined in the background note.

I am copying this to Peter Wanless (Chief Secretary's office) and to Malcolm Scott (Minister for Industry's office).

Yours

(J PITT-BROOKE)
Private Secretary

William Chapman Esq
10 Downing Street
London

SECRET UK EYES A



SECRET UK EYES A

BACKGROUND NOTE

MILITARY SUPPORT HELICOPTERS; EH101

1. In April 1987 the then Secretary of State for Defence announced a decision to buy 25 of Westland's EH101 helicopter, subject to satisfactory resolution of contractual and other issues, to contribute to Army support helicopter requirements.
2. Subsequent military operations and events in Europe have strengthened the requirement for force mobility and thus for more support helicopters. The ageing Wessex also need early replacement.
3. The 1993 Statement on the Defence Estimates stated that "We also plan to procure additional support helicopters, to come into service at the end of the decade" and Ministers have indicated that they hope to make a further announcement on support helicopter procurement soon.
4. Parliamentary and industrial lobbying for a firm MOD EH101 order has been intense. The HCDC's recent report on UK Peacekeeping and Intervention Forces was particularly forceful in criticising the delay on this issue (extract attached) and the TISC report on British Aerospace Industry in July stated that the future of Westland Group depends crucially on continued government support for the EH101. There has been pressure in the PAC and seven MPs spoke in the 2.50 a.m. debate in the House of Commons on this on 27 July.
5. Defence Ministers have concluded that there are advantages of operational flexibility as well as industrial and support advantages in a mixed EH101/Chinook fleet. They decided that competitive "No Acceptable Price No Contract" (NAPNOC) negotiations should be conducted with both Boeing and Westland to determine the lowest prices available for Chinook and EH101 respectively. Such negotiations would involve no financial commitment and no commitment to the purchase of any particular number of helicopters; the number to be purchased would depend on the outcome of the negotiations and affordability. Defence Ministers propose to announce this on 6 September and use it to help persuade the Dutch to buy EH101. This approach is strongly supported by the DTI.
6. The Chief Secretary has, however, so far declined to agree to this announcement since he does not believe it possible at this stage of the PES negotiations to rule out abandoning or postponing plans to increase the support helicopter fleet. Without an early announcement the major Westland concern expressed in their letter and that from Michael Colvin - that the PES round could cause a delay into the autumn and beyond the Dutch procurement timescale - will be realised.

SECRET UK EYES

important choices remain to be made, notably on the choice of a support helicopter to replace the present fleet of ageing Wessex helicopters, and to complement the heavily stretched Pumas and Chinooks. An attack helicopter competition is currently in progress, and decisions are also awaited on the armed reconnaissance helicopter requirement.¹

31. The Royal Air Force operates a fleet of 140 Chinook, Puma and Wessex support helicopters. These helicopters undertake a number of tasks including support in Northern Ireland, air transport, VIP transport, work in civil emergencies and in Hong Kong. Their importance in intervention operations was well demonstrated during Operation Granby, where they were a scarce as well as a valued asset,² and the Ministry told us that given the premium now placed on flexibility and mobility it sees an increasing role for helicopters of this type. It is however, doubtful whether MoD has sufficient helicopters to be able to perform the increased role that they envisage, and we are concerned at the apparent prevarication and lack of urgency with which the Ministry is addressing this point.

32. Nearly half the helicopter hours flown in 1991-92 were in support of operations in Northern Ireland. This requirement has grown by 20 per cent since 1987-88 and consumes a very large proportion of total resources, thus reducing the resources available for peacekeeping and intervention operations. Nearly half of flying hours were flown by the Wessex which, the Ministry told us, has a small payload and slow speed that pose operational limitations³. Moreover, Wessex airframe and component fatigue are of concern, and support for the aircraft is becoming increasingly difficult and costly. Unless replaced by 2000 the Wessex fleet will require major refurbishment.

TABLE 1

Proportion of hours flown by type of helicopter 1987-88 to 1991-92

	1987-88	1988-89	1989-90	1990-91	1991-92
Puma	37%	34%	30%	31%	33%
Chinook	25%	24%	25%	22%	19%
Wessex	38%	42%	45%	47%	48%

33. In April 1987 the then Secretary of State for Defence announced the decision to place an initial order for 25 utility EH101s to meet the support helicopter requirement. No order was actually placed. Six years have passed. MoD is now reassessing the requirement. Following this the Ministry intends to move towards having a competition. It is envisaged that the new helicopter will be in-service before the end of the decade. In the meantime the Ministry is assessing other short-term possibilities, including making use of Lynx surplus to Army and Navy requirements. While we accept that much has changed since 1987, we consider that the Ministry has been excessively slow in evaluating these changes. Nothing has happened which suggests a reduced requirement for support helicopters: rather the opposite. In its Third Report of Session 1989-90, the Committee noted that—

“MoD’s consideration of the requirement for support helicopters, and the way in which such a requirement should be met, stretches back to the mid 1970s and the matter needs urgent resolution”.

That was three years ago. A competition to meet the helicopter requirement will add further delay and the Ministry has admitted that running on the Wessex will be increasingly costly. **We consider that the Ministry must face up to the fact that delay and inaction is becoming costly both in financial and effectiveness terms and that a decision on the way forward must be made immediately.**

¹ Qq 1151, 1157ff.

² Tenth Report, from the Defence Committee, Preliminary Lessons of Operation Granby, HC 287 of Session 1990-91, para 44.

³ Evidence, pp 115-116.

SPICER MP
8/9

FILE KK



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

Accf 25 August 1993

I enclose a copy of a letter which the Prime Minister has received from Sir James Spicer, M.P.

I should be grateful if you would provide a draft reply for the Prime Minister's signature, covering in particular the timing point mentioned in Sir James' fourth paragraph. It would be helpful if this could reach this office by Wednesday 8 September.

WILLIAM CHAPMAN

Peter Ryan, Esq.,
Ministry of Defence.

COLVIN
6/9



File
SM

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

Adcl 23 August 1993

I enclose a copy of a letter which the Prime Minister has received from Michael Colvin MP.

I should be grateful if you would provide a draft reply for the Prime Minister's signature, to reach this office by Monday 6 September.

WILLIAM CHAPMAN

John Pitt-Brooke Esq
Ministry of Defence

A handwritten signature in blue ink, appearing to be 'J.P.B.' with a flourish.

From: Michael Colvin, M.P.



2217

cc Principal

HOUSE OF COMMONS
LONDON SW1A 0AA

Rt Hon John Major MP
The Prime Minister
10 Downing Street
London SW1

18 August 1993

Dear Prime Minister —

RE: SUPPORT HELICOPTERS

I know you have been personally involved in the debate about additional support helicopters for the Royal Airforce and the Westland Group's bid to meet our requirement with the EH101 Utility version.

Recent exchanges in the Defence Select Committee on which I sit, and in the House during debate, have obtained from Ministers clear commitments to the need for further support helicopters, and they have also made it clear that the EH101 meets the MOD specification.

An initial order for 25 Utility EH101's ^{was} made by Lord Younger the then Secretary of State for Defence way back in April 1987 and since then we've been badgering successive Secretaries of State for confirmation of that order.

As I understand it the present position is that the MOD want the aircraft but are up against Treasury unwillingness to agree an announcement which involves commitment to expenditure, although such expenditure is in the Defence budget.

I'm sure you will appreciate that there is a need for an early definitive announcement well ahead of the debate in the House of Commons on the first two days when the House is back on the Defence Estimates, because, inter alia, the Dutch Ministers have planned to decide which helicopter they want to buy in late August.

I suggest that a NAPNOC contract (no agreed price, no contract) with MOD for the Utility EH101 would satisfy the value for money requirement. I believe Westland is committed to concluding this as speedily as possible.

I acknowledge that some additional Chinooks will also be required by MOD as an attrition buy to cover previous and future losses before production ceases.



From: Michael Colvin, M.P.



HOUSE OF COMMONS
LONDON SW1A 0AA

Contd...Page/2 - Prime Minister

Future attrition could however be covered by EH101 purchases which would give us a degree of commonality with Italy and Canada and between our services.

I'd be most grateful if you could use your best endeavours to bring the Treasury to heel. You may be interested to see what was said in the House when some of us stayed up until the small hours on the 26 July to make the case for the EH101.

It so happens that the Royal Navy and Army Equipment Exhibition at Farnborough/Aldershot will be opened by Jonathan Aitken on Tuesday 7 September and that would be a splendid opportunity for him to confirm the orders for the EH101 as two years back, Tom King used the Royal Navy Equipment Exhibition at Whale Island to make the announcement about the EH101 Merlin. A strong delegation from Holland will be present at Aldershot and I'm sure it would help them to make up their minds on the EH101 if an announcement were made because of the so-called "stamp of approval" factor.

Have a good break -

*Yours -
Michael Colvin*



Support Helicopters

2.50 am

Mr. Peter Griffiths (Portsmouth, North): I welcome the opportunity to initiate an Adjournment debate on the further development of the programme for providing efficient, up-to-date helicopters for our armed forces. Many hon. Members believe that they are crucial to the effective defence of our country. The debate refers specifically to support helicopters for the Royal Air Force.

I do not believe that I need to spend too much time arguing that it is necessary for us to provide such helicopters. Every indication suggests that modern warfare is increasingly becoming a matter of quick, positive response. Helicopters are an essential part of that reaction.

Whatever reductions it may be possible to make in our defence budget and that of other nations, there is no evidence that any power, major or minor, has decided that it is possible to reduce the requirement for and dependence on helicopters.

We have had experience of warfare in the south Atlantic and more recent experience in the deserts of Arabia. We pray not, but we could have experience of warfare in the mountains of Bosnia. Those theatres of conflict are immensely different, but it would not be possible for us to maintain our national interests in each one if the helicopter did not act as a main element in our operations.

We can move on from deciding whether we need to increase and develop our helicopter capacity for our armed forces, to considering what kind of helicopter is needed for the support role undertaken by the RAF. We need a utility helicopter that is capable of a multiplicity of roles. If possible, we need a helicopter whose design relates closely to those used by other sections of the armed forces. That immediately brings to mind the decision of the Royal Navy to choose the Merlin version of the EH101 helicopter, which is built by Augusta of Italy and Westland of the United Kingdom.

I should declare an interest—and speak with pride—about the fact that my constituency is home to the Westland subsidiary of FPT Ltd. It is at the cutting edge of technology in the use of laminated substances for self-sealing petrol tanks and other containers that need to survive the kind of treatment to which they are subject in war.

The United Kingdom headquarters of IBM is also in my constituency. It is good to see the commercial expertise of that great international company involved in collaboration and co-operation with a British defence manufacturer. I take pride in that, too.

The EH101 is the only truly modern helicopter being developed in Europe which will be available within the period of need to our armed forces. That is why I suggest that the Minister puts it at the top of his procurement list for the RAF. This is not just another helicopter that one could purchase off the shelf anywhere else. It is designed for the needs of today and of tomorrow. It has the potential to meet the needs of our armed forces for many years to come.

I shall not go into the details of the aircraft's technical advantages over its most obvious rivals, but it would be sensible at least to list them for the benefit of those who

examine these matters closely. Apart from its Anglo-Italian design, the EH101 has certain technical advantages over all its competitors.

First, the design of the rotor blades is remarkable. That is the key to the technical efficiency of the helicopter. Nothing else flying either in Europe or America offers the same efficiency.

Secondly, allied to the efficiency of the rotors is the increased capability of the EH101 due to its built-in active control of vibration. Vibration is a major cause of wear in helicopters, leading to problems of maintenance and repair, which are in turn key factors in the immediate availability of an aircraft in wartime. The EH101 can measure and counteract the development of vibration, thanks to its careful original design.

With any aircraft being used intensively in war, there is a need to check on its efficiency and safety, both for the success of an operation and for the safety of the crew. Such monitoring of safety and usage has been applied later to some helicopters, but the EH101 is the first to have had the monitoring system built in from the start. The idea was that this is an essential: it should not be a bolt-on afterthought.

I referred earlier to the different theatres of war in which our forces might be called upon to protect our interests. The EH101 has an enormous advantage over its potential competitors in that it has an all-weather capacity that is unsurpassed—indeed, unequalled—by any similar rotor aircraft. It means that it is an aircraft which can be used in weather in which helicopters would usually be grounded. Such arguments must be taken into account when we make a final decision.

We have a British product which is well ahead of its nearest competitor and which is already likely to be a world beater. When the Royal Navy announced that it would opt for the Merlin version of the EH101, Canada followed and placed an order for the naval version but also ordered some of the utility versions, which we are recommending for the Royal Air Force. It is clear that other countries are watching closely the decision to be taken by the Ministry of Defence. They are looking to see what decision the British take on British products. If we show confidence, the product will be a world beater in not only the military but the commercial sense. It will be something that we can promote with great enthusiasm.

I stress that the EH101 is not an expensive aircraft that we are trying to persuade the Minister to buy; it can be sold on the basis of value for money. If the Royal Air Force follows the Royal Navy and if, at some later stage, the Army also decided on a compatible helicopter to allow for flexible operations and the exchange of aircraft and spares in an emergency, not only would this helicopter remain excellent value, but its unit costs would be reduced. If the EH101 were the helicopter chosen across the armed forces, we would be getting an extremely good bargain. That should surely be kept in mind in the present economic circumstances.

I have sought to establish that we need a decision that the EH101 is the prime choice. The final question is, when should an order be placed? The answer is tonight. A decision should be taken here and now. We need a commitment that the EH101 is the Government's choice. We need the decision to be taken quickly so that it is possible to continue the development of this fine aircraft and move on rapidly to its production. We need immediate

[Mr. Peter Griffiths]

confirmation, which will itself convince potential customers that they can place their confidence where we have placed ours.

We must express our confidence in the EH101 project. A great deal of money has already been spent on it. It is not an untried proposal but an aircraft available as the basic helicopter for our armed forces well into the next century. It is the ideal choice as a support helicopter for the Royal Air Force.

3.3 am

Mr. Michael Colvin (Romsey and Waterside): Even at this very late hour, I am pleased to take part in this important debate on support helicopters for the Royal Air Force.

I congratulate my hon. Friend the Member for Portsmouth, North (Mr. Griffiths) on initiating the debate and on the way in which he set out the arguments for the EH101 utility helicopter to fulfil our defence forces' requirements for support helicopters.

I thank other hon. Members, especially Conservative Members, who signed the motion and therefore enabled this debate to be extended to three hours.

I congratulate my hon. Friend the Member for Stroud (Mr. Knapman) on his long-standing interest in the project. He has many potential subcontractors for the EH101 project in his constituency and he would have welcomed the opportunity to be here to participate in the debate, but unfortunately he has to visit the glorious Gloucester Regiment, which faces amalgamation. I believe that he must be there in time for reveille, so he is unable to be with us.

I should like to congratulate the right hon. Member for Yeovil (Mr. Ashdown), whose constituency is the home of Westland, on supporting the EH101 project throughout. The saying that a politician's mind is conditioned by the state of his seat certainly applies to the right hon. Gentleman, but I have some difficulty in reconciling his support for the project with his views on the social chapter and his party's views on defence expenditure.

I put that point to him during our debate last Friday afternoon, but I was not satisfied with his response. He could not say which would cause the most damage to Westland's workers: the social chapter, with the additional burdens that it would impose on Westland as employers—Westland is very much against the social chapter—or the 50 per cent. cut in defence expenditure that his party advocates. He did not say, and probably could not say, what the answer to those questions was.

Sir Jim Spicer (Dorset, West): He is not here now.

Mr. Colvin: As my hon. Friend says, he is not here to answer, so we will continue to put such questions to him.

I have forgotten how many speeches I have made on defence matters, but in each I have made a plea for more helicopters. In April 1987, I thought that at last the Government had got the message, when the then Secretary of State announced that the Government would order 25 utility EH101 helicopters. We all cheered, but we are still awaiting confirmation of the order.

I note that the full title of today's debate is "Support helicopters for the Royal Air Force". I cannot boast a great constituency interest in the manufacture of the

EH101, although I dare say that few constituencies do not have some aerospace content, but the Army Air Corps is just up the road from my constituency and down the road from my home. I am well aware that it would dearly like to be flying support helicopters for the Army. That, in a sense, is another debate, and I do not think that we want today's debate to be side tracked into a discussion about who should fly support helicopters. Let us just accept that our armed forces need them and, for the sake of the debate, that the RAF will be providing the pilots and the air crews.

Each time I have made my plea for more support helicopters, the circumstances have changed and the need has become more urgent. We saw the collapse of the Warsaw pact in 1989, and the so-called new world order, which has developed into new world disorder. We saw the peace dividend lead to the previous Secretary of State's introduction of "Options For Change". We saw the creation of new military structures—smaller but better is the new basis for our armed forces.

We are seeing a far greater role for United Nations operations, following the Secretary-General's paper "The Agenda for Peace" with more peacemaking, peacekeeping and peace-building operations. There are 17 United Nations operations around the world, and 25 potential flashpoints where hostilities could break out at any moment, where our troops may need to be deployed.

As a permanent member of the Security Council, the United Kingdom should be ready to participate where Britain's national interest is identified—anywhere in the world. In the new NATO structure, in which we are privileged to lead the Rapid Reaction Corps, we have an important role to play. Under the new-look NATO structure, a British-dominated Rapid Reaction Corps totalling between 70,000 and 100,000 men will train for quick deployment. That means having an air mobile division made up of British, German, Belgium and Dutch units, and a southern region division, probably under Italian leadership.

We must have the equipment to meet our new role, and our new obligations worldwide, and that means greater flexibility for our armed forces, and far greater mobility—two important principles of war. My right hon. and learned Friend the Secretary of State, in his introduction to the recently published White Paper on the defence estimates for 1993, said:

"improvements to our amphibious capability and the Army's anti-armour capability, and further investment in transport aircraft and support helicopters"

were proposed. He at least has at last got the message. There is no doubt that, in trying to meet our obligations in providing peacekeeping and intervention forces, the United Kingdom is not adequately equipped. The fourth report of the Select Committee on Defence for this Session homes in on the problem of mobility and helicopters. It draws attention to the fact that a number of capabilities have been prioritised in the focus on intervention forces, the principal ones being helicopters, which are playing an increasingly important role in support and combat.

Our report goes on:

"A number of important choices remain to be made, notably on the choice of a support helicopter to replace the present fleet of ageing Wessex helicopters, and to complement the heavily stretched Pumas and Chinooks."

It draws attention to the fact that the RAF operates a fleet of 140 aircraft in all—Chinooks, Pumas and Wessex support helicopters. It concludes:

It is, however, doubtful whether MoD has sufficient helicopters to be able to perform the increased role that they envisage, and we are concerned at the apparent prevarication and lack of urgency with which the Minister is addressing this point."

That is the Select Committee's conclusion this year.

We can go back to 1989-90, when it said in its third report:

"MOD's consideration of the requirement for support helicopters, and the way in which such a requirement should be met, stretches back to the mid 1970s and the matter needs urgent resolution."

And so we say again this evening.

Our report concludes:

"We consider that the Ministry must face up to the fact that delay and inaction is becoming costly both in financial and effectiveness terms and that a decision on the way forward must be made immediately."

I do not think that I need to say more, but I shall none the less.

In United Nations operations, especially in Bosnia, there is a great need for support helicopters. The United Kingdom has had to send Sea King helicopters to Bosnia, presumably because we have run out of support helicopters. We have none to spare; they are all far too busy in Northern Ireland, where almost half of all our helicopter hours were flown in 1991-92 in support of our security operations.

No one disputes the case for more helicopters. We could probably manage with fewer tanks, but that is another debate. The question is which helicopter should the Minister of Defence order. Apparently, we have to consider three options. I wonder whether that is genuine or whether there is really only one that we must consider seriously. Currently, the force consists of 32 Chinooks, 42 Pumas and 64 Wessex, making a total of 138 support helicopters. That includes those undergoing repair, modification or refurbishment.

There is certainly a case for commonality, as my hon. Friend the Member for Portsmouth, North (Mr. Griffiths) said. However, I should have thought that we could eliminate the Pumas—not because they are French, but because they are a very old design. They do not have the lift capability and they are too small. They carry only 12 men fully equipped; perhaps 16 not fully equipped. They do not have an adequate performance—the range is inadequate and they do not fly fast enough. They are a fair-weather aircraft, and my hon. Friend made the important point that we need a helicopter with all-weather capability.

The performance of the Chinook is not that bad. It certainly has good lift capability, and can carry 42 men in all. It has old technology and is not especially reliable. Indeed, it is notable that Chinooks are no longer used in support operations for North sea oil and gas exploration. It is certainly a costly aircraft—not so much in its unit cost, as Boeing Vertol have cut that to the bone to try to get orders, as in its life cycle costs, on which the MOD now rightly concentrates.

Even having got rid of all the amortisation, it still costs between £2,000 and £3,000 an hour to operate. That compares with £750 an hour for an EH101. It is obvious that the EH101 has a cost advantage. In fact, it only costs—I say "only", but it is still an expensive aircraft—about £12 million. One should also bear in mind the fact that the Chinook is an old design—30 years old—and needs midlife updates, which can be extremely costly. Those costs are presently estimated at between £4 million and £5 million.

We must not forget that all that expenditure occurs in the United States, so we pay for it in dollars and the work goes to American factories and workers. It has been the British Government's policy for many years to try to make the so-called two-way street of reciprocal sales and purchases with our American allies across the Atlantic more evenly balanced. The exchange is still 2:1 in favour of the United States of America, and to order Chinooks for the RAF would only make that two-way street more out of balance than it is already.

We might be able to justify the purchase of some Chinooks as so-called attrition buy to replace those that we have lost for one reason or another. We cannot justify buying a 30-year-old design when a new, modern technology aircraft is available. The RAF would not take that action were it considering the purchase of fixed-wing aircraft, so why does it even consider doing so when considering the purchase of helicopters?

Tonight we are considering the utility version of the EH101—EH stands for European Helicopters, which is a combination of Westland and Agusta. The commonality issue, which has been raised, is valid. The Ministry of Defence has already ordered 44 of the helicopters—the Merlin version—for the Royal Navy. It is important to have commonality with other countries within the rapid reaction corps, which I have mentioned.

The Italians, who belong to that force, are joint manufacturers, with Westland, of the aircraft. The Dutch, who are also in the unit, are keen on the project and have already, as a matter of defence policy, quoted a preference for buying more helicopters and fewer tanks. The all-weather capability is important in relation to the EH101, which does not ice up. That means that the big capability gap in helicopters has at last been closed.

We should not forget that Her Majesty's Government have already spent £1.3 billion on development of the aircraft—the air frames, the avionics and the engines. In all defence procurement it is important to consider the impact on Britain's industrial capability. There is no doubt that the helicopter would bring many jobs for British industry. It is estimated that 3,000 jobs would be created by the order for only 25 of the helicopters over three to four years.

The RTM322 Rolls Royce engine is made jointly with Turbomeca of France—half the development goes to each country—which may improve the chances of the French looking to the aircraft as a better support helicopter than the Puma, as it has greater capability. That engine is already flying in the fourth preproduction aircraft.

The technological lead has been mentioned, and there is no doubt that the anti-vibration development—the active control structural response—means that the aircraft has great potential for civilian use. Those of us who have travelled in helicopters appreciate that vibration is one of the hazards. Undoubtedly, with a military version, the lack of vibration will have a significant bearing on the length of time that equipment on board lasts.

The sales potential of the EH101 is good. The Canadians have already ordered it for their navy, as well as the utility version. The middle east is certainly a big potential market. Japan is also a potential market, although those the Italians take the lead. It is estimated that the market for the EH101 is probably about 750 aircraft, so eventually there will be many jobs for British workers if worldwide sales achieve that target. We await

[Mr. Colvin]

the stamp of approval from the British Government for the utility version of the EH101. Surely that will be a great encouragement to other countries to order it.

Paragraph 122 of the defence White Paper, which is the section on the RAF's air transport and support helicopter fleet, says how vital the EH101 is to strategic and tactical mobility. It says that the RAF chinook helicopters "are already the subject of a modernisation programme which will extend their lives well into the next century. We have been reassessing our requirement for support helicopters in the light of the changed strategic circumstances. We have concluded that, in view of the need for increased flexibility and mobility in the new operation environment, there is a need to procure additional support helicopters to supplement our existing assets. We are urgently considering how best this significant enhancement to our operational capability can be achieved."

Once more, we say "hear, hear" to that.

Timing is absolutely crucial. The Government cannot prevaricate any longer. We need to confirm the order for 25 EH101s and order a further 25 without delay.

Mr. Bruce George (Walsall, South): The hon. Gentleman knows that I would join him in support if it did not disqualify me from my debate, which is next on the Order Paper. He explained why the Government had been prevaricating. Why has there been such a delay? Is it that the defence procurement budget cannot sustain such an imaginative and long-awaited approach, or is somebody on the military side in the MOD sticking the knife in?

Mr. Colvin: I thank the hon. Gentleman for making that interesting intervention. As far as those who take a special interest in defence matters are concerned, somebody in the Ministry of Defence seems to have it in for the EH101. I will not name names this evening—perhaps another hon. Member will be brave enough to do so. There is no doubt in the minds of those who have investigated the matter that the preference of the Royal Air Force is for the EH101 helicopter, so probably only one person is standing out against it at present. Perhaps if it were someone else in that position, it would be a much easier decision for the Secretary of State to make. I hope that my hon. Friend the Minister will clarify the position. I hope that this is my last speech on the subject of the EH101 helicopter. I hope that the Minister has received the message loud and clear, and will appreciate that the order for these aircraft is one way to ensure that, in the words of the White Paper, we defend our future.

3.29 am

Sir Jim Spicer (Dorset, West): It must be well over 10 years since my hon. Friend the Member for Romsey and Waterside (Mr. Colvin) and I started to raise the subject of the EH101 in the House. Most Conservative Members have been ardent supporters of the home-grown product, and in that we have had Opposition support.

This is a unique occasion because there are no fewer than six Conservative Members in the Chamber who all have a direct interest in the EH101 and the Westland factory. It is sad that the person with the greatest interest in Westland—for obvious good reasons—is not here to support his constituents. I speak of the right hon. Member for Yeovil (Mr. Ashdown), the leader of the Liberal Democrat party. Perhaps he has other fish to fry elsewhere. As my hon. Friend the Member for Romsey

and Waterside said, the right hon. Gentleman has always supported the cause, and perhaps it falls to me to speak on his behalf and on behalf of his constituents.

Westland has about 7,000 workers, and probably well over 1,000 of them live in my constituency. The Lords Commissioner to the Treasury, my hon. Friend the Member for Dorset, North (Mr. Baker), who is in his place on the Front Bench, could probably lay claim to 700 or 800 of those workers. Other hon. Members who are present for the debate represent a substantial number of people who are directly employed by Westland.

However, that is only part of the total number, because all over the country and in—dare I mention it?—Christchurch, hundreds of subcontractors look to Westland for orders and, in particular, to the order for the EH101.

Over the years we have all shared a sense of frustration. I was with the management of Westland in Yeovil on the night that the agreement with the Italian Government was signed. We waited anxiously in case there was any slippage, and we wondered whether our Secretary of State for Defence had signed up and whether anyone would renege. There was a great sense of relief when, as a result of pressure, the agreement was finally signed. The co-operative agreement between us and the Italian Government and Augusta is unique.

As my hon. Friend the Member for Romsey and Waterside has said, there was an agreement in 1987 to purchase the utility version of the EH101. We are not dealing with a public inquiry on the channel tunnel or Twyford down or with a bypass for Dorchester. We expect such inquiries to be long-winded because of the unbelievable democratic process. Public inquiries can go on for ever, but we are not discussing a public inquiry but an internal Ministry of Defence matter. It is almost unbelievable that we and the Westland work force are still waiting some six years later.

I accept that delicate balances sometimes have to be struck. I am reminded of the recent battle between Rosyth and Devonport. My hon. Friend the Minister of State for Defence Procurement, who is to reply to the debate, my right hon. and learned Friend the Secretary of State for Defence, and my right hon. Friend the Prime Minister had to strike a balance and make a political decision. Day after day, they were bashed and bullied by those on both sides of the argument: the Scottish parliamentary lobby spoke for Rosyth, while the vociferous west country group spoke for Devonport.

There is no such conflict with the EH101. It is a straight choice. The EH101 is first and foremost a British product, built in conjunction with the Italians; it is a modern, well-designed, superlative helicopter that will see us well into the next century. There is nothing wrong with the Chinook, but it is a bit clapped out in terms of design.

I made my last parachute jump from a Dakota. I loved the Dakota—it was a marvellous aircraft—but it was designed in 1937-38, and we were still parachuting from it in 1957-58. That does not detract from it, but when we have the opportunity to buy a really modern helicopter, for God's sake let's get on with it. There is 100 per cent. support for it in the House and the country. If my hon. Friend the Minister told the House, "We have made this political decision", he would have the wholehearted support of hon. Members and the country.

Westland holds a unique place in the affection of our people. I have known and worked with the company for

over 20 years; it must be said that some 20 years ago it was not quite the company that it is today. What has happened to the workforce and the factory over the past seven or eight years is almost unique: it is now a lean, fit company, producing a magnificent helicopter. I can only say to my hon. Friend the Minister that, as my hon. Friend the Member for Romsey and Waterside suggested, it is high time we recognised that. By placing this initial order, we could trigger a potential order for 750 aircraft.

There has been some mention of where the opposition to the order lies. I do not know, and I do not much care; what I know is that we cannot pretend for much longer that we have a genuine air-mobile capability if our air-mobile force does not contain enough helicopters to warrant naming a brigade or division as air mobile.

This is not the time to discuss relative helicopter strengths. However, whether we look at the United States, the Germans or the French, we find that every country that has adopted an air-mobile role has provided sufficient helicopters. Only two weeks ago, in the debate on the estimates, I said that it was time for us to face up to the conflict—not that there is a conflict any longer—between the tank and the helicopter. We all know that the number of heavy battle tanks will be reduced dramatically: we must move to an air-mobile role, and we cannot do that without the EH101.

I beg my hon. Friend the Minister to stand up and, diplomatically—as I know he will—make it clear to the isolated pockets in the Ministry of Defence that may oppose the placing of the order that we will not put up with that any longer. It has to be a political decision. It would be welcomed by everyone in the country. The sooner that that decision is made, the better it will be for the work force at Westland and for everyone on this side of the House.

3.39 am

Mr. Mark Robinson (Somerton and Frome): I join in the congratulations given to my hon. Friend the Member for Portsmouth, North (Mr. Griffiths) on his success in securing the debate. I also confess a touch of nostalgia to my hon. Friend the Member for Dorset, West (Sir J. Spicer). I am perhaps a little older than I look, but my first flight was in a Dakota and I have a great affection for that aircraft.

I have sought to catch your eye, Mr. Deputy Speaker, because many of my constituents, like those of my hon. Friend the Member for Dorset, West, work at Westland. They are represented at all levels, from the chief executive, who is my constituent, to the shop floor. My hon. Friend mentioned the social chapter. There is deep anxiety about the effect that the social chapter would have on Westland's costs. It is worth passing that message through to the right hon. Member for Yeovil (Mr. Ashdown). I concede that he has been a great supporter of the EH101 project, but I hope that he will bear in mind some of the comments that have been made in the House about the social chapter.

The continuing success of Westland group is important to the south-west, which has seen a great contraction in the defence industries. That has served to heighten the impact of the recession throughout the region. As our armed forces seek to take their support helicopters into the next generation, Westland has produced in conjunction with Augusta the next generation helicopter, which is the only one of its type.

Already the Government have ordered the Merlin variant of the EH101 for the Royal Navy, but there has been overlong delay in implementing the original decision of Lord Younger when he was Secretary of State for Defence in relation to the Royal Air Force.

I should like to dwell on the jobs aspect and the technological advantages of the EH101, which I believe are clear. It has a unique all-weather capability and long-range operational potential, together with innovations to remove vibrations from the cabin. That demonstrates its advance over the present generation and places the aircraft at least seven years ahead of any possible rival. It fits precisely with the requirement of "Options for Change", namely, rapid reaction capability, which is so vital in this era of flexible response.

The EH101 would be an asset in not only military operations but humanitarian exercises, as my hon. Friend the Member for Romsey and Waterside (Mr. Colvin) said. The requirement to take part in humanitarian exercises is increasingly prevalent, as we were reminded by the United Nations Secretary-General's "Agenda for Peace". It is perhaps no coincidence that an earlier three-hour debate in the Chamber this evening was about the former Yugoslavia. The Sea King helicopter is playing a significant role in that very operation. If we look to the future, we can see the EH101, with its adaptability, playing an important humanitarian role.

I have no doubt that recent international events have served to highlight the fact that the Government's decision in 1987 to support the EH101 project was correct. The only competition in sight seems to come from overseas, either in a possible lower capacity helicopter, which is only on the drawing board at present, or in old technology aircraft such as Chinook or Puma. Replacements for old technology aircraft will inevitably be sought sooner or later by their producers, but with some considerable delay compared with the availability of the EH101.

In this efficiency-conscious era, it is important to seek commonality across our helicopter fleet, and the EH101 provides an opportunity to do that. With the Royal Navy using anti-submarine warfare, airborne early-warning and commando helicopters; the RAF using support, combat, research and rescue helicopters; and the potential for the Army and the Royal Marines to perform a variety of functions with a support helicopter, standardisation of the United Kingdom defence force fleet would bring obvious and varied advantages.

Cost is an important ingredient. The price for the utility EH101 is more competitive now, bearing in mind the technological advances that it embodies and the reduction in through-life costs that it offers compared with previous generations of helicopters. Also, I understand that Westland has offered to reduce the initial procurement price of both the Merlin and utility variants if the RAF order is placed. I hope that my hon. Friend the Minister will bear that in mind. I thank him for his forbearance in recent weeks. Although I am new to this subject, I cannot help feeling that when my hon. Friend sees me coming down the Corridor, he thinks, "My goodness—here comes another support helicopter."

The EH101 adds up to a convincing case for a British product which will be at the forefront of technology, and which can succeed in the intensely competitive overseas defence market. Success depends on winning overseas orders. The RAF order confirmation would not only add

[Mr. Mark Robinson]

to the Government's seal of approval but would be a welcome fillip to the overseas saleability of both the military and civilian version.

Continuing indecisions has made the battle to win orders more difficult than it might otherwise have been. The time must be right to put an end to that uncertainty. The estimated worldwide sales potential for 750 aircraft has a consequential spin-off worth at least £8 billion to this country—apart from orders that could develop in the United States.

Westland has a unique product that can exploit a considerable gap in the world market at a time when other manufacturers are not ready to fill it. The RAF needs support helicopters. When it comes to exports, success at home breeds success abroad. So there is common purpose, and one that will provide much-needed jobs throughout the south west.

The necessary decision should not be further delayed. It would be welcome in not just Somerton and Frome but Christchurch, where there is a Westland facility that would benefit from the order. I hope that my hon. Friend the Minister will do his best to ensure that a decision is made at the earliest possible opportunity.

3.48 am

Sir Jerry Wiggin (Weston-super-Mare): I thank the large number of my hon. Friends who signed an application to the Speaker for this debate, and I thank in particular my hon. Friend the Member for Portsmouth, North (Mr. Griffiths) who interrupted his holiday plans to introduce this debate on precisely the right note, which was maintained by my other hon. Friends.

We are here to endear ourselves to my hon. Friend the Minister at 10 minutes to four in the morning, and I hope that our diligence will be rewarded. I know that the Minister will not want us to speak for too long, as he has other things to do. It was good of him to come here to answer the debate, which I hope he will find persuasive.

I, as a matter of principle, support the theory that it is not for politicians to support one product or another when it comes to its adoption by the armed forces. However, for various reasons, that has become the practice in recent times, when the items concerned are competing domestically within the United Kingdom for the attention of the procurement division of the Ministry of Defence.

As has already been pointed out, this is not one of those occasions. It is not a question of either Rosyth or Plymouth; it is a question of our helicopter being, without any doubt, the item. There is no technical rival to it in the world. It is clearly a question of money and of subversive pressure being exercised within the Ministry of Defence, which we must ask our Ministers to overcome by the sheer logic of the argument.

For many years there has been a fundamental flaw in the acquisition of support helicopters for the British Army. They have been provided by the Royal Air Force. During the short time that I was in the Ministry of Defence, I sought to make that point. Subsequent to my departure, an inquiry was conducted. I am afraid that the lobbying and politicking that went on resulted in no change to that basic policy but, as has already been said, this is neither the time of night nor the place to go into that matter.

If we give one service responsibility for another service, inevitably that service will put its own service requirements and its own service priorities before those of the other service. Once again, this has been shown to be the root cause of the difficulty.

Nobody has suggested that the next fighter aircraft for the Royal Air Force should be a 30-year-old design, or that the RAF should consider buying second-hand aeroplanes from the French, so why should the RAF do that when it comes to helicopters? The truth of the matter is that the RAF does not care. The helicopters are not for the RAF; they are for the Army. This is clearly seen to be a matter of prejudice within the RAF. I hope that the Minister will either deny that allegation or deal with it in due time.

I heard a rumour that, despite the obvious decision, the RAF had said, "Let us re-write the specification." After all this time, that is so obviously and clearly a deliberate delaying tactic that I hope it will be seen for what it is.

The cost of the original item is an important issue. No one has suggested that the EH101 is a particularly cheap aircraft but, as has rightly been pointed out, it is a reliable one. Those of us who have used machinery, in whatever way and in whatever form it may have come, know that it is no good having something cheap if it does not work and that it is worth paying for quality, design and a modern device.

The fact that the Royal Navy has already ordered this aircraft, though a slightly different version, leads me to believe that there must be huge cost benefits in getting together with the Royal Navy, in terms of both spare parts and training, but I am far from convinced by what I have heard that these cost benefits are being taken into account, because there is no machinery for so doing. Each service does the costing for its aircraft. That, too, will, I hope, be taken into account. The aircraft's all-weather capacity, for example in respect of the former Yugoslavia, is also important. We have sent troops into the former Yugoslavia and we have apparently had to borrow Royal Navy helicopters because there are simply not enough RAF helicopters. That is an appalling situation.

My hon. Friend the Member for Romsey and Waterside (Mr. Colvin), in an excellent speech in which he covered all the technical points that apply to the argument, said that he had been making speeches about helicopters for many years. I have been doing the same. For year after year, we have pointed out the absolute requirement for more helicopters, and particularly for those of a general purpose and utility nature.

I am sorry that the Liberal Democrats have been unable to field someone to participate in the debate. However, it is acknowledged that there is all-party agreement on the issue in the House. When my hon. Friend returns to the MOD, I hope that he will take a very clear message from this debate. Although I have a Westland plant in my constituency and most of us have some interest in Westland and its sub-contractors, there is a basic defence argument that promotes this helicopter beyond all others. As I said at the beginning of my speech, that must be the parameter on which defence equipment is chosen.

I hope that my hon. Friend the Minister will be able to put down very swiftly the counter-arguments that have been raised for entirely the wrong reasons. I hope that he will acknowledge that this is the best helicopter for the armed forces, that it should be purchased and that that

B/F with previous pp on
31 Aug. pm.

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Thygl. 23/iii

MR A ALLAN

Prod
No advice yet from MoD
Alex
20/8.

17 August 1993

cc Mr R Lyne (o/r)

WESTLAND/SUPPORT HELICOPTER

The Prime Minister has received a letter dated 9th August from Sir Leslie Fletcher of Westland urging him to intervene to secure an announcement on the new support helicopter by early September. Fletcher argues that an early decision is vital if the EH 101 is to have a chance in the competition the Dutch are running.

There is considerable interest in this issue among backbenchers. George Younger first announced the intention to buy 25 EH 101s in 1987 but the MoD have delayed placing an order since then, partly because of the force restructuring in Options, partly because the RAF wanted more Chinooks instead. There has been a series of PQs, letters and comments from the Defence Committee since then, well orchestrated by Westland, and there was a Consolidated Fund debate on this subject two weeks ago. Sir James Spicer rang Sarah last Friday to pass on the strength of his, and other colleague's, feelings in favour of Westland.

The MoD have themselves finally decided to buy a mixed fleet of Chinooks and EH 101s. Malcolm Rifkind intervened in the face of RAF opposition (CDS used to fly Chinooks) to ensure that up to 25 101s will be bought (the exact numbers will depend on detailed negotiations with Westland and Boeing). The MoD want to announce soon that they will open negotiations with each company on a NAPNOC basis (no acceptable price, no contract).

The Chief Secretary will receive the papers on his return from holiday. He will be advised to object to an early decision on the support helicopter because this will foreclose one of the options in PES. In his letter of 27th July, Mr Rifkind

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identified Tranche 2 of the support helicopter as one of the cuts that would have to be made to secure savings in the defence budget of £1 billion. I have pressed the MoD on whether, if the worst case scenario from their viewpoint is the outcome of PES, they would still buy any new support helicopters. This they could not say.

The EH 101 is the outsider in the Dutch competition. Only Jonathan Aitkin's personal intervention has kept it in contention. The company argues that an announcement that we are definitely going to buy 101 support helicopters ourselves is vital if they are to have a chance of winning the Dutch order (worth £215 million). The MoD are using this to argue that we should announce our intention to enter negotiations with Westland, and Boeing, in the first week of September.

Conclusion

1. The Treasury must be right to resist pre-judging PES by announcing now that we are intending to buy 101s and Chinooks. It would be much more embarrassing to cancel negotiations in December than to delay the announcement for three months until PES is over.
2. In the meantime we could send a message to the Dutch (either from Rifkind or possibly the Prime Minister) extolling the virtues of 101, pointing out that we have bought this aircraft for the Navy and that (some hint such as) we expect to be making an announcement on the number of EH 101s support helicopters that we will buy very soon.



ALAN ROSLING

080.AR

1) 24/8



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

16 August 1993

I enclose a copy of a letter which the Prime Minister has received from **Mark Robinson MP.**

Alex Allan sent you a copy of Sir Leslie Fletcher's letter on 9 August, requesting a draft reply for the Prime Minister's signature by 23 August. I should be grateful if you could let me have a draft reply to Mr Robinson at the same time.

I am copying this letter to Peter Smith (Department of Trade and Industry).

WILLIAM CHAPMAN

Peter Ryan Esq
Ministry of Defence

K

MARK ROBINSON, M.P.



HOUSE OF COMMONS
LONDON SW1A 0AA

12 August 1993

Dear Prime Minister,

I understand the Chairman of the Westland Group has sent you the enclosed letter. An early announcement of an order of EH101 Utility Helicopters for the RAF would be of great value to Westland's export drive for this aircraft. It would also be further good news for employment both in the West Country and in my constituency where many of its employees including the Chief Executive, Alan Jones, live. I hope, therefore, that urgent consideration can be given to their request as I know consideration of this order is now at a very advanced stage.

Yours ever,

Mark

The Rt. Hon. John Major MP
Prime Minister
10 Downing Street
LONDON SW1A 2AA



10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

9 August 1993

I am writing on behalf of the Prime Minister to thank you for your letter of 9 August.

This is receiving attention and a reply will be sent to you as soon as possible.

ALEX ALLAN

Sir Leslie Fletcher, D.S.C.

FLETCHER

23/8



10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

9 August 1993

I enclose a copy of a letter which the Prime Minister has received from Sir Leslie Fletcher.

I should be grateful if you would provide a draft reply for the Prime Minister's signature, to reach this office by 23 August.

I am copying this letter to Peter Smith (Department of Trade and Industry).

ALEX ALLAN

Peter Ryan, Esq.,
Ministry of Defence

KW

WESTLAND GROUP plc

From: Sir Leslie Fletcher, DSC, FCA
Chairman

WESTLAND WORKS,
YEOVIL,
SOMERSET,
BA20 2YB

TEL: (0935) 702000
PRIVATE No.: (0935) 25482
FAX: (0935) 78846
TELEX: 46277 WHLYEO G. ATTN: TXD 5

9th August, 1993.

Rt. Hon. John Major, Esq., MP, PC,
10 Downing Street,
LONDON, S.W.1.

Dear Prime Minister

In view of your personal involvement in both the MERLIN order for the Royal Navy and the sale of EH101 Naval and Utility variants to Canada, I am writing to seek your support for a favourable Government decision on the order of EH101 Utility helicopters for the Royal Air Force before the end of August and a public announcement in early September.

Westland has made financial proposals to MOD which would achieve savings to the Government of some £50m in non-recurring and other costs on an order of between 25 and 50 helicopters linked to the previous order of 44 for the Royal Navy. These proposals could lead to a speedy 'No Agreed Price No Contract' (NAPNOC) negotiation on pricing.

As you may be aware the issue was highlighted in the Statement on Defence Estimates 1993 page 11, para. 122. It was debated in the House of Commons in the early hours of 27th July. From the Ministerial response to this debate, and from Ministers' recent responses to questions from the House of Commons Defence Committee and to letters and questions from MP's, as well as discussion with MOD officials, the implications are that MOD Ministers are satisfied that an early announcement could be made on the purchase of the Utility EH101. The Westland concern is that the major budgetary issues under discussion within Government on the allocation of funds to departments could cause delay into the Autumn and until after these major issues of financial policy are agreed, although the necessary funding has been within the Defence Budget since 1988.

From the UK helicopter industry point of view (a few hundred UK sub-contractors are involved with the EH101 programme) such delay would have an adverse affect on exports and general confidence in the programme on which £1.4Bn of UK Government money has been expended.

Rt. Hon. John Major, Esq., MP, PC

9th August, 1993.

The particular short-term issue is that with invaluable support from MOD, the DTI and the FCO and especially due to the efforts of Mr. Jonathan Aitken with his Dutch opposite number, the Dutch Government has been persuaded to reinstate the EH101 Utility in their competition for the second type of Support Helicopter for their Airmobile requirements where they already have some Chinooks and the EH101 is up against the Eurocopter Cougar and the Sikorsky Black Hawk.

A Dutch team visits Yeovil from 9th to 13th August to reassess the EH101 Utility; draft contracts having already been initialled with Eurocopter and Sikorsky. We are advised that Dutch Ministers will decide which helicopter to buy during the week of 23rd August and put their conclusions to Parliament during the week of 30th August with the aim of placing an order in mid September 1993.

The EH101's chances are slim without UK Government endorsement of the RAF purchase which could lead to economies of scale for support and training for both Governments.

With a Dutch and an RAF order the EH101 Utility would have a much enhanced prospect for Military sales in Europe for airmobile and intervention forces. Furthermore the Pentagon is considering at this time our proposals for the EH101 as the Utility for the US Marines (some 300 aircraft to be supplied with a US partner in a similar manner to the Harrier and Hawk programmes in the USA). In Canada the placing of a contract for the EH101 programme for their Navy and for their Rescue Utility helicopter is proceeding well. While the Canadian Conservative Government is highly supportive, opposition parties there are making much political capital out of the cost and usefulness of the project in the run up to the election.

With an RAF order to generate confidence, the delivery of 400 EH101 in the 10 years from late 1995 is a marketing assessment with which there is general agreement between Whitehall and Westland. Such deliveries would generate £8Bn worth of business for the UK, and an equivalent amount for Italy plus considerable work for Canada.

Rt. Hon. John Major, Esq., MP, PC

9th August, 1993.

In this country this work will be important for skilled employment in the helicopter industry and will contribute in taxes and levies on sales to the Treasury, which will repay Government investment.

Your support in achieving an early announcement, an objective already indicated in public by MOD and DTI Ministers, as well as politicians in the West Country and those elsewhere with Defence and Aerospace interest, would be much appreciated.

Westland are of course most willing to answer any questions you may have either in writing, through your office or at a meeting.

Yours sincerely,
Leslie Nicholas.



Handwritten initials

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

11 December 1990

I am writing on behalf of the Prime Minister to acknowledge your letter of 4 December. I will, of course, show it to the Prime Minister.

BARRY H. POTTER

Sir Leslie Fletcher

Handwritten initials

WESTLAND GROUP plc

Sir Leslie Fletcher, DSC, FCA
Chairman

Rec'd 5/12 Prime Minister (4)
BTP
5/12
(letter was
seen
acknowledged)
4 CARLTON GARDENS,
PALL MALL,
LONDON SW1Y 5AB
TEL: 071-839 4061
FAX: 071-930 0482

4th December, 1990.

Dear Prime Minister,

Congratulations on your election and I write to wish you every success in what you will now be seeking to do.

You may recall our recent conversation about Westland, when I explained what we saw our job to be and you might be interested to look at the preliminary announcement of our results to September 1990, although I have little doubt that you have more than enough paper to read at the moment.

As you know, Mrs. Thatcher was very supportive of our overseas selling efforts, having convinced her that the company was worthy of her support and I hope that we can look in your direction if the need is sufficiently important.

Meanwhile, I recall that when you moved into Carlton Gardens you needed our close proximity in the event that you were short of a pint of milk. If you are ever in similar straits, we can bring one across the park to you!

Yours sincerely,

Leslie Fletcher

Mr. John Major, M.P.,
10 Downing Street,
London, SW1.

NEWS



WESTLAND GROUP

TO EDITORS
FOR IMMEDIATE RELEASE

MONDAY 3 DECEMBER 1990

WESTLAND GROUP PLC

SUMMARY STATEMENT

FOR THE FINANCIAL YEAR ENDED 28 SEPTEMBER 1990

Orders received and revalued	£452.7m	up 30%
Profit on ordinary activities before taxation	£26.2m	up 27%
Earnings per Share	12.4p	up 16%

"Profit margins improved in all three main subsidiaries and the Board has announced the first increase in dividend since payments were resumed in 1987. We are vigorously pursuing every opportunity to obtain profitable orders and there is no doubt that Westland is winning through and gaining in strength year by year"

Sir Leslie Fletcher - Chairman

Enquiries (from 9.30 a.m. onwards)

Mr. Alan Jones	Group Chief Executive Westland Group plc	071-839-4061
Mr. Chris Bunker	Finance Director Westland Group plc	071-839-4061
Mr. Bob Gregory	Temple Communications	071-583-1737 0860-308674 (Mobile)

WESTLAND GROUP plc

EXTRACTS FROM THE 1990 ANNUAL REPORT

CHAIRMAN'S STATEMENT

I am glad to report that Westland Group plc has continued to make progress in its reconstruction process. There is still much to be done, but because of all the hard work of recent years Westland is in much better shape to compete successfully in today's difficult business climate.

In my statement last year I said that it was the Group's intention to develop further its established civil aircraft side. It is therefore gratifying to report that Westland Aerospace secured such an impressive increase in its order intake. Profit margins improved in all three main subsidiary companies during the year, a reflection of the increasingly tight control of costs.

Group profit before taxation and after exceptional items for the year to 28th September, 1990, amounted to £26.2 million - an improvement of 27 per cent over 1989. Earnings per share rose by 1.7p to 12.4p and your Directors have decided to raise the total dividend payment for the year from 3.5p to 3.75p and are therefore recommending a final dividend of 2.5p per share. This is the first increase in dividend since payments were resumed in 1987.

The current crisis in the Gulf is a timely reminder of the need for sea power and mobility. Although we have received useful orders for Lynx helicopters, the main activity during the year has been concentrated on the continuing progress of the EH101. The relationship with our Italian partners Agusta S.p.A. is working extremely well and eight pre-production aircraft are now flying. The civil variant made its first public appearance at this year's Farnborough Air Show and we were much encouraged by the interest it created. Since the year end another milestone was passed when the Royal Navy's "Merlin" made a successful ship landing on HMS Norfolk, the first of the new Type 23 frigates.

The maximum development price for the Merlin has now been agreed and it is to be hoped that the British Government's decision to call for tenders for the mission system does not cause any serious delay in the placing of production orders.

We believe that orders for the EH101 and Black Hawk are nearer and we remain convinced that further Lynx orders will be won. However, the need to secure helicopter orders is of critical importance to the Group if we are to keep the factory active with an adequate workload. We are vigorously pursuing every opportunity to obtain profitable orders, but we will not accept work at uneconomic prices.

The international environment in which Westland operates is going through a period of rapid and far-reaching change. It is essential in such a climate that the Group responds positively and, whenever possible, anticipates the change. This places additional pressures on all who work for Westland and to them I express my gratitude.

It takes time to rebuild a company and it is only four years since the capital reconstruction; but there is no doubt that Westland is winning through and gaining in strength year by year.

Sir Leslie Fletcher - Chairman

WESTLAND GROUP plcPRELIMINARY ANNOUNCEMENT OF RESULTS
FOR THE FINANCIAL YEAR ENDED 28 SEPTEMBER 1990

The results for the financial year ended 28 September 1990 published in this Preliminary Announcement are not full accounts. A copy of the full accounts, on which the auditors have given an unqualified report, will be delivered to the Registrar of Companies within 42 days of their adoption at the Annual General Meeting. Copies of the 1990 Annual Report and Accounts will be sent to shareholders during January 1991 and copies will, thereafter, be available to the general public on request to the Company's registered office.

Consolidated Profit and Loss Account	1990 £m	1989 £m
Turnover	411.0	431.9
Gross Profit	55.0	50.6
Research, development and launching costs - net of launch aid	(10.6)	(8.3)
Expenses not included in stock valuation	(13.2)	(12.8)
Other income	0.5	0.8
Operating profit before interest	31.7	30.3
Net interest payable	(5.5)	(6.4)
Profit on ordinary activities before exceptional items and taxation	26.2	23.9
Exceptional items	-	(3.2)
Profit on ordinary activities before taxation	26.2	20.7
Taxation	(5.3)	(2.6)
Profit on ordinary activities after taxation	20.9	18.1
Minority interests	(1.7)	(1.0)
Profit for the financial year before extraordinary items	19.2	17.1
Extraordinary items after taxation	-	(0.2)
Profit for the financial year attributable to shareholders	19.2	16.9
Dividends - preference shares	(3.5)	(3.6)
- ordinary shares	(4.8)	(4.4)
Movement on unappropriated profit	10.9	8.9
Earnings per share:	p	p
after exceptional items and taxation	12.4	10.7
Fully diluted earnings per share	10.4	
Dividends per share:		
Interim paid	1.25	1.25
Final proposed	2.5	2.25

Consolidated Balance Sheet	1990 £m	1989 £m
Fixed assets:		
Intangible assets	3.3	3.7
Tangible assets	112.1	109.7
Investments	1.1	1.8
	<u>116.5</u>	<u>115.2</u>
Current assets:		
Stocks	127.0	128.9
Debtors	85.7	92.7
Cash at bank and in hand	14.2	13.6
	<u>226.9</u>	<u>235.2</u>
Creditors: amounts falling due within one year	(125.5)	(128.6)
Net current assets	<u>101.4</u>	<u>106.6</u>
Total assets less current liabilities	217.9	221.8
Creditors: amounts falling due after more than one year	(43.3)	(42.5)
Provisions for liabilities and charges	(11.8)	(27.4)
	<u>162.8</u>	<u>151.9</u>
Capital and Reserves:		
Called-up share capital	44.2	44.2
Share premium account	5.3	4.7
Revaluation reserve	23.5	24.5
Other reserves	35.0	34.2
Profit and loss account	33.1	24.1
	<u>141.1</u>	<u>131.7</u>
Shareholders' funds	141.1	131.7
Minority interests	21.7	20.2
	<u>162.8</u>	<u>151.9</u>
Gearing (Net Debt: Equity)	17.4%	18.7%

Principal activities

The principal activities of the Company and its subsidiaries are the design, development, manufacture and sale of helicopters, aerospace structures, control equipment and systems, and other engineering products and the provision of associated customer support services.

Turnover and operating profit

Activity	Turnover				Operating profit before interest		Return on turnover	
	1990 £m	%	1989 £m	%	1990 £m	1989 £m	1990 %	1989 %
Aerospace	58.8	14	47.6	11	5.8	3.5	9.9	7.4
Helicopters and Customer Support	263.3	64	297.0	69	19.2	19.7	7.3	6.6
Technologies	105.4	26	103.3	24	9.6	8.0	9.1	7.7
Consolidation and other adjustments	(16.5)	(4)	(16.0)	(4)	(2.9)	(0.9)		
	411.0	100	431.9	100	31.7	30.3	7.7	7.0

Analysis of number of helicopter deliveries by type:

	1990	1989
Sea King	11	15
Lynx	3	3
	14	18

Dividend

The Directors recommend the payment of a final dividend of 2.5p per Ordinary Share which, if approved by shareholders, will be paid on 18 February 1991 to shareholders whose names appear on the register of members at 10 January 1991. When added to the interim dividend of 1.25p already paid this makes a total dividend for the year of 3.75p per share (1989-3.5p per share).

Westland Group plc
Westland Works
Yeovil
Somerset BA20 2YB
3 December 1990

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

9 March 1990

Temporarily Retained

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WESTLAND

See

Sir Leslie Fletcher and Mr. Alan Jones of Westland came to see me this afternoon. Mr. Jones had just returned from Washington, where he had seen Prince Bandar to discuss the prospects of selling Black Hawk to Saudi Arabia.

But he had indicated that Westland's name still caused some misgivings in high quarters in Saudi Arabia, and it would be very useful if the Prime Minister could find a way to make clear that Westland's efforts to sell the Black Hawk had her support.

I said that the Prime Minister had already encouraged the Saudis to purchase Black Hawk in the course of her own contacts with Prince Bandar, which he would no doubt have reported. I knew that the Defence Secretary would shortly be visiting the Kingdom, and it was likely that he too would be encouraging the Saudis to buy Black Hawk. I could not see any opportunity at the moment for the Prime Minister to take any further action, but we would keep it in mind.

When you and I discussed this on the telephone, we considered whether the draft message from the Prime Minister to King Fahd, to be delivered by the Defence Secretary, might include a reference to Black Hawk but decided that on balance it would not be appropriate.

I am copying this letter to Bob Peirce (Foreign and Commonwealth Office).

*Yours sincerely,
C. D. Powell*

(C. D. POWELL)

Simon Webb, Esq.,
Ministry of Defence.

Ph

SECRET



FILE PM4

bc P.C

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

7 March 1990

Dear Ian,

WESTLAND

Thank you for your letter of 5 March responding to Prince Bandar's proposals for strengthening Westland, and suggesting that the Prime Minister should write to Prince Bandar.

The Prime Minister has no objection to the substance of what we propose to say to Prince Bandar, but would prefer not to write herself. We need to find some other way to convey our thoughts to him. I do not know whether he is likely to visit London soon, Alan Thomas may be able to establish this. If so, Prince Bandar could come in to see the Prime Minister. Other alternatives would be for me to write; or for Alan Thomas to see Prince Bandar. I should be grateful if you could let me know, in due course, which you would prefer.

*Yours sincerely,
C. D. Powell*

C. D. POWELL

Ian Woodman, Esq.,
Ministry of Defence.

SECRET

CC

PRIME MINISTER

WESTLAND

You will remember that Prince Bandar spoke to you in January about the possibility of some strengthening of Westland's management and finances. The Ministry of Defence have now provided their views on this in the attached letter. They suggest that you write to Prince Bandar making a number of points, in particular that the greatest help for the company would be a substantial order for Black Hawk from Saudi Arabia.

The substance of the response seems very much on the right lines. But I have doubts about the wisdom of your writing on this subject to Prince Bandar. If you agree, I will try and persuade the Ministry of Defence to achieve the same result by a different route, for instance by sending the Head of Defence Export Sales to talk to Prince Bandar.

Agree?

CDP Yes no

CHARLES POWELL

6 March 1990



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 01-218 2111/3

MO 26/16/1L

Str March 1990

Dear Charles,

at flap

WESTLAND

Your letter of 22nd January sought the Defence Secretary's opinion on the proposals Prince Bandar put forward on strengthening Westland during his recent meeting with the Prime Minister.

We have of course been discussing the "revitalisation" of Westland with United Technologies/Sikorsky since 1986. They have promised us on numerous occasions that they are totally committed to this aim, and they have indeed put a number of their senior people into Westland to try to improve matters. They also have two directors on the Westland board, who are both well known to Sir Peter Levene, and capable of making a real contribution. Given the underlying situation of Westland, the Defence Secretary does not believe that any further major change can be effected there in the immediate future.

What would, however, make a fundamental difference to the company would be a large production order of helicopters. That is not only within the Saudis' gift,

The Defence Secretary thinks that this is the one thing that could be done by the Saudis which would help towards their goal of achieving a stronger company, and this could give them the base to establish a Western Serving operation in Saudi in co-operation with the company.

I attach a draft letter the Prime Minister might wish to send to Prince Bandar indicating the Government's views. My Secretary of State stands ready to discuss this with the Prime Minister, if required.

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Yours sincerely
I M Woodman
(I M WOODMAN)
Private Secretary

Charles Powell Esq
10 Downing Street

DRAFT LETTER FROM PRIME MINISTER TO HRH PRINCE BANDAR

When Your Royal Highness visited London at the end of January, you mentioned your interest in the future of Westland, and your requirement for Black Hawk Helicopters.

You were kind enough to suggest that together with United Technologies/Sikorsky, your Government might be prepared to participate in a capital injection into the company in order to strengthen its management and its capabilities for the future. I promised to look into this matter further and let you have our considered views, which I am now happy to do.

We agree entirely with your view, that the addition of management expertise together with financial participation from United Technologies/Sikorsky should be of great assistance to Westland. UTC have in fact had a substantial share in Westland for some time now, but I am pleased to say that in consultation with us, they have now not only added some very experienced senior managers to the company, but also put two distinguished US nominees on the board of the company, one of whom was until recently the US Secretary of the Navy. We are much encouraged by these positive steps on the part of UTC, which we think will help towards the strengthening of Westland, which is clearly also your concern.

Although a further capital injection might be valuable, the Company's most critical need today is for a large production order. They have substantial development contracts from the UK Ministry of

Defence, notably for the EH101, but our main production orders are still some way off, and our programmes rather later than your own requirements for Black Hawk. The option of the UK MOD purchasing Black Hawk is indeed being studied by our Ministry of Defence. Your decision to proceed now with your order for the Black Hawk would be a major influence in our thinking, because it would firmly establish the production line in the UK and help to reduce the cost.

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In summary therefore, ~~your approach is both welcome and timely.~~
The essential first step in the plan would be for you to confirm your order to Westland for the Black Hawk. I believe that this would then trigger a series of events which would be particularly constructive in the strengthening of Westland, the promotion of Black Hawk in the Gulf, and the emergence of the Kingdom as the major force in the area in military helicopters.

I hope that the foregoing may prove to be in accord with your Royal Highness' views, and we would be delighted to discuss the proposal further with Your Royal Highness when convenient.

CGC



Treasury Chambers, Parliament Street, SW1P 3AG

Michael Neubert Esq MP
Parliamentary Under Secretary of State
for Defence Procurement
Ministry of Defence
Main Building
Whitehall
London
SW1

CG

12th February 1990

Don Neubert

EH101 HELICOPTER

attached copy 655/56

I was surprised to read in the press and in Hansard your remarks to the House on 5 February about the Royal Navy EH101 programme, including the statement that you intend to appoint a prime contractor.

2 I am aware that my officials have been discussing with yours the option of appointing a prime contractor to complete development and initial production of a Royal Navy EH101, along with other options for procuring anti-submarine helicopters for the Navy. This is however an expensive option and not one I am at present able to endorse. Nor have colleagues been consulted.

3 I have so say therefore that I do not feel committed by your remarks, and that decisions between this and other options remain to be taken.

4 I am copying this letter to OD colleagues.

Norman Lamont

NORMAN LAMONT

Royal Navy

Motion made, and Question proposed, That this House do now adjourn.—[Mr. Greg Knight.]

3.34 pm

Mr. Max Madden (Bradford, West): On a point of order, Mr. Speaker. I wish to make an application under Standing Order No. 20, of which I gave you notice.

Mr. Speaker: I should be surprised if the hon. Member had not received a message from me telling him that I could not hear his application under Standing Order No. 20, because it did not meet the criteria of the Standing Order.

Mr. Madden: Further to the point of order, Mr. Speaker. You will recall that there was some recent controversy about your acceptance of Standing Order No. 20 applications. I submit that a debate in the Standing Committee on the Environmental Protection Bill is no substitute for an opportunity for all hon. Members to express their views on a matter of national importance. I ask you to allow me the opportunity to make my application.

Mr. Speaker: As the hon. Gentleman well knows, I cannot give my reasons in the House. The very matter that the hon. Gentleman wishes to raise under Standing Order No. 20—that I should grant a debate taking precedence over the business of today or tomorrow—is already being discussed in a Standing Committee. It would not be possible for me to grant such a debate that would, as it were, pre-empt that.

3.36 pm

The Parliamentary Under-Secretary of State for Defence Procurement (Mr. Michael Neubert): I am pleased to have the opportunity to open our annual debate on the Royal Navy. Before talking about the Navy itself, however, I should first like to say a few words about the developments in East-West relations which form the backcloth against which the Navy continues to discharge its duties in the defence of the United Kingdom and our NATO allies.

During recent months, we have witnessed an astonishing series of revolutions in eastern Europe. Most have been peaceful, but that in Romania tragically cost many lives. Those revolutions are unfinished business—the old order has largely been swept away but a stable, structured new order has yet to emerge. In the Soviet Union we are also seeing great changes where, at least in part, the Government there provided the initial impetus and are now having to deal with the forces that have been unleashed. When 300,000 people march to the walls of the Kremlin the whole world sits up and takes note.

These developments have elements in common. Throughout eastern Europe, the people themselves have been the motive power of change. Theirs was a reaction against massive failings in their societies, but, not surprisingly, there is still no clear vision of the ways in which the political structures of those countries, their economies and their societies are to be rebuilt. The same is true of President Gorbachev's policy of perestroika. The ultimate outcome of recent events is thus still unclear and, while we welcome the resurgence of democratic values in the East and are helping the eastern countries with

economic aid and encouraging trade with them, the uncertainties that we face mean that our optimism about reducing tension between East and West must be tempered with caution.

We have made immense strides towards greater security in recent years—progress which would have been unimaginable only a few years ago. Senior military officers from both East and West, for example, have just finished a seminar in Vienna where they exchanged information about the strategies and plans of their own countries and the alliances to which they belong. Much of the credit for the improvement in relations between East and West is due to the resolution of NATO, whose determination to maintain adequate defences while offering dialogue with the East has been so clearly vindicated. Campaign for Nuclear Disarmament, please note.

The Royal Navy has played its part in this improvement. Last year, for example, saw the reopening of Royal Navy contacts with the Soviet Union. In May, HMS Bristol paid an official visit to Leningrad as part of the Dartmouth training squadron's deployment to the Baltic, and received a warm welcome.

In July, the United Kingdom was host to the Soviet Minister of Defence, General Dmitri Yasov, an event without precedent. During his visit, General Yasov was taken by helicopter to see HMS Invincible at sea, a memorable experience that I had a month earlier. During his time on board, the general saw Invincible's aircraft put through their paces and met members of the ship's company, thus seeing for himself how life aboard a major Royal Navy ship was lived. He was clearly impressed, not least by the morale and professionalism of our sailors.

The Royal Navy has also renewed contacts with eastern European navies. In June, after leaving Leningrad, HMS Bristol paid a visit to the Polish port of Gdynia, while at the same time HMS Achilles visited Rostock in East Germany. Two months before, in April, the Polish warship Warsawa had paid a visit to London. Ship visits have a very useful role to play in lessening tensions between East and West, and they will, we hope, continue.

I turn to the ever-active field of arms control. In nuclear arms control, good progress continues to be made in the Start talks between the United States and the Soviet Union. While recent bilateral discussions on chemical weapons between the United States and the Soviet Union, and the agreement that followed, represent an important step towards ridding the world of those weapons.

A further major element in arms control will be agreement to limit conventional forces, and encouraging progress has been made in the talks currently taking place in Vienna. The imbalance in those forces in Europe is the most important security problem facing us. We want to see the Soviet Union dismantle for good its massive capability to mount a surprise attack against the NATO countries in Europe. The Soviet Union, for its part, has accepted that its conventional superiority should be removed. It accepted the figures proposed by the West in March last year for tanks and armoured troop carriers, and last July for helicopters. On artillery, the differences may now be more technical than substantive. However, much work still must be done in Vienna to translate a wide measure of agreement into a clear, firm, binding treaty.

There have been suggestions from some quarters that NATO should take the initiative in maritime arms control. That is not the view of Her Majesty's Government. Calls from the East for maritime arms control ignore NATO's

[Mr. Michael Neubert]

continuing dependence on reinforcement and resupply shipping from the United States in the event of war. The Warsaw pact, on the other hand, is a land-based alliance with overland lines of communication. It does not depend on the sea and does not have the same logistic considerations as NATO.

Nor should we forget that the United Kingdom, as an island nation, depends more than most on the sea for its economic well-being and security. Some 94 per cent. by weight of our trade around the world is carried in ships, and on any one day, 300 ships are working in British ports, with the Dover straits probably the world's busiest seaway. We also have an important fishing industry. There are more than 50 oil and gas fields in the North sea, accounting for 3 per cent. of our gross national product and 12 per cent. of our industrial investment.

What, then, would be the Navy's role in the event of a conflict involving NATO forces? Many of the forces needed could be moved by air, but reinforcements are of limited use without fuel and equipment—the bulk of which would have to be moved by sea. In peacetime, Western Europe needs up to 1,000 shiploads of food and raw materials a month to sustain it. In war, it would need 800 shiploads to meet military needs alone. So NATO's defence strategy continues to depend, among other things, on its ability to keep open those sea lines of communication.

Mr. Martin O'Neill (Clackmannan): Have the figures that the Under-Secretary of State gave been updated in the light of the length of a war that is now anticipated? One is no longer talking in terms of a surprise attack, so would not the figures be different over a longer period of hostilities?

Mr. Neubert: The figures that I gave have no relevance to the length of notice of a war or of the conflict itself. They refer to the needs of this country and of NATO in the event of a land-based conflict. It is to that vital task that a large share of the Royal Navy's resources, along with those of other NATO nations, is committed. We should not forget that the Soviet Union continues to invest heavily in modernising its maritime forces and that the production rates of some classes of Soviet vessels have risen over the past two years.

The Royal Navy has—and will have for the foreseeable future—a vital part to play in NATO's ability to counteract the potential threat that those forces represent. The Royal Navy contributes continuously to NATO's standing naval forces in the Atlantic and in the Channel, and it provides a destroyer or frigate for the on-call force in the Mediterranean, which this year celebrates the 20th anniversary of its first activation. We also make a major contribution each year to NATO's naval exercises. Last September, 34 British warships and Royal Fleet Auxiliary vessels took part in the major NATO maritime exercise, Sharp Spear, in the shallow seas. The Royal Marines also took part in a number of important exercises, including their annual Arctic warfare training in Norway and Exercise Dragon Hammer—a NATO amphibious exercise in the Mediterranean.

In the event of war—which is less likely now, but we still have to plan for it—the Royal Navy would contribute some 70 per cent. of NATO's ready maritime forces in the

eastern Atlantic and Channel areas, and would play a vital part in NATO's strategy of forward defence. It would be involved in the interception and containment of Soviet naval forces well to the north, in the early deployment and protection of the joint United Kingdom-Netherlands amphibious force to reinforce NATO's northern flank—to which we contribute 3 Commando brigade Royal Marines, special amphibious shipping and helicopters—in the provision of anti-submarine defence of NATO's striking fleet Atlantic, and in the defence of reinforcement, resupply and economic shipping in both the Atlantic and European waters.

The Royal Navy will also continue to have a special role, by virtue of the Polaris squadron, soon to be replaced by Trident, in deploying and protecting the United Kingdom's strategic deterrent. This commitment makes it the only European navy to assign forces to all three legs of the NATO triad—strategic nuclear, sub-strategic and conventional.

The Royal Navy's primary NATO role is anti-submarine warfare, which is crucial both to deterrence in peace and maritime operations in war. The nature of submarine operations gives the aggressor the advantage. Such operations will always be difficult to monitor, so the Navy must remain able to conduct anti-submarine warfare surveillance, throughout our areas of interest, in support of the deterrent in peace and, in periods of rising tension, to alert our forces to the likely whereabouts of enemy submarines before war breaks out.

The primary potential threat remains that posed by the Soviet submarine force. Not only is that numerically strong, but the Soviet submarine is also becoming ever more capable. The most important aspect of this improvement lies in noise reduction techniques. We can also expect Soviet submarines to have effective towed array sonars, and modern cruise missiles will be more widely fitted; and as submarine performance improves, we can expect decoy and counter-measure techniques to do so as well. Submarine-launched missiles and torpedoes are likely to grow in range and complexity, so we will need more capable air defence and torpedo counter-measures systems.

Submarines operated by nations outside the Warsaw pact are also becoming more numerous and more capable. Sophisticated conventional and nuclear-powered submarines deploying an arsenal of torpedoes and missiles of various ranges could pose a potent threat in almost any area of the globe.

Mr. Harry Cohen (Leyton): I am happy to hear the Minister talk about the Soviets' improved capability, particularly in the area of sonar because, presumably that will make submarines such as Trident, which are of course much bigger than existing submarines, easier to track. Does that therefore not make Trident pretty useless?

Mr. Neubert: We do not come to that conclusion. We have been trying to picture a scenario in which development involves measures and counter-measures, and we are determined to keep ahead of the threat and in technology. That is what I am describing.

We put the highest priority on maintaining an effective ASW capability. Without that, the Royal Navy could not provide adequate defence for the NATO forces it would protect or offer a reasonable prospect of keeping sea lanes open.

Mr. Keith Speed (Ashford): A key component of the submarine offensive in the decade ahead will be the Merlin anti-submarine helicopter. Could my hon. Friend give a firm assurance that that is going ahead on track, and will enter Royal Navy service?

Mr. Neubert: My hon. Friend has unquestioned authority on this subject. This debate takes place against the background of a report which the Defence Select Committee brought forward on Friday. Will he allow me to answer his question later in my speech?

Mr. Jonathan Sayeed (Bristol, East): Before my hon. Friend leaves the subject of the Soviet submarine threat, will he confirm that there has been no reduction in the Soviet Union's submarine building programme?

Mr. Neubert: I made that point earlier. We are seeing the development of the most modern equipment, and we have to take account of that in our plans for the future.

A high-quality ASW capability is also a prerequisite for the security of our strategic nuclear deterrent. An effective ASW capability can best be achieved by a combination of maritime assets. Royal Navy frigates, conventional and nuclear submarines, helicopters and Royal Air Force maritime patrol aircraft all work in unison as an integrated ASW force.

If we are to provide the best possible ASW defence, to counter the sustained massive investment by the Soviet Union in its submarine force—mentioned by my hon. Friend the Member for Bristol, East (Mr. Sayeed)—and to keep pace with the growing capability of other maritime nations, improvements to our ASW platforms, sensors and weapons must continue to maintain our effectiveness, and I can assure the house that that is our firm intention.

The Royal Navy and Royal Navy Reserve also make an important contribution to the direct defence of the United Kingdom by protecting our coastal waters from the threat of mines, while the Royal Navy Auxiliary Service, the Royal Marines and their reserve help to defend our ports and anchorages and key points. Within home waters, the Royal Navy and Royal Marines also help to safeguard our offshore installations, while the Royal Navy search and rescue service saves the lives of many members of the public each year.

The Royal Navy also supports the Royal Ulster Constabulary by patrolling the Province's coastline, and Royal Marines Commando units have regular roulement tours in the Province. While considering the Navy's commitment to the defence of the United Kingdom, we must not forget last year's tragedy at the Royal Marine school of music at Deal, when on 22 September 11 Royal Marine bandsmen were killed and another seven injured when a bomb planted by terrorists exploded. I am sure that the whole house will join me in expressing continuing outrage at that callous act of murder, and deep sympathy for those who have been bereaved.

We cannot afford to overlook the threat to British or western interests that could arise worldwide outside the NATO area. The Royal Navy continues to maintain a presence in the Gulf, the Caribbean, the south Atlantic and Hong Kong. My hon. Friend the Minister of State for the Armed Forces will, I hope, be able to expand on the Navy's duties and achievements in those areas later. The House will remember, for instance, the magnificent

assistance given by HMS Alacrity and RFA Brambleleaf to Montserrat, St. Kitts and Nevis in the aftermath of hurricane Hugo.

To meet that wide range of challenging tasks, the Royal Navy has a fleet of some 200 vessels and a highly capable force of fixed-wing aircraft and helicopters, which we are continuing to modernise and update as necessary. The Government have ordered some 67 major vessels since 1979, at a total cost of over £7.5 billion. That very large procurement programme is clear and irrefutable evidence that we remain committed to a strong and balanced maritime capability, and to retaining the appropriate mix of forces to achieve that: the strategic nuclear deterrent; a surface fleet of three carriers and about 50 escorts; retention of an amphibious capability; the proper combination of nuclear and conventional submarines; the modern aircraft, weapons and sensors that the platforms need to fulfil their roles; and, not least, men and women of the high quality and motivation that make the Royal Navy such an outstanding service.

Mr. Edward Leigh (Gainsborough and Horncastle): Can my hon. Friend confirm that, however events unfold in eastern Europe—even if the unthinkable happened and the British Army withdrew from the Rhine—nothing could affect the country's traditional reliance on maritime defence, and that, indeed, those events might reinforce it?

Mr. Neubert: That is undoubtedly true, and has, I hope, been the consistent theme of my speech. We shall need a naval capability as much in the years ahead as ever before.

Mr. Ian Bruce (Dorset, South): Does my hon. Friend agree that one of the great advantages from which we have benefited in all that we have done with the Royal Navy in recent years is the excellence of our technology? We have often gained a march even on the Americans by spending less money. One particular advantage had been the sea systems controllerate, which has been especially useful for underwater defence; it has worked closely with both the Navy at Portland and the Admiralty research establishment.

For the past two years, the staff of the controllerate have been anxious about whether they will be staying in Portland or, in the case of those working with surface vessels, in Portsmouth. Is it not about time that we rewarded those people for doing such an excellent job by telling them that their jobs will remain where they believe that they can do them best—in Portland and Portsmouth?

Mr. Neubert: My hon. Friend is a doughty fighter for his constituency interests and for his constituents who work for the sea systems controllerate. I hope that we shall be able to respond before too long with firm plans for the future of the three controllerates, because their work is vital to us.

The new classes of vessels joining the fleet and on order are more sophisticated, capable craft than those that they replace. Our escort fleet is much younger, on average, than those of our allies or Warsaw pact countries. Our ships now spend less time in refit so that operational availability is improved. We are doing much more than merely allowing things to tick over.

The programme to replace Polaris with Trident in the mid-1990s continues to schedule and to cost. My right hon. Friend the Secretary of State for Defence announced to the House last week the revised estimate for Trident.

[Mr. Neubert]

For the fourth year running, this showed a fall in the real cost. At £9,380 million, the current estimate is, in real terms, over £1.5 billion less than the original 1982 estimate. This fall does not include the large savings arising from our decision to process United Kingdom missiles at Kings Bay, Georgia. The proportion of Trident spending estimated to fall in the United Kingdom now stands at 69 per cent., the highest recorded so far.

Two Vanguard-class submarines have already been ordered from Vickers Shipbuilding and Engineering Limited, where their construction is well advanced. We hope to order the third in the spring and to issue the tender for the fourth submarine later this year.

The United States missile programme is also going well. The programme of ground-launched missile test firings was completed last year. Six successful flights of missiles fired from a submerged submarine have now taken place, showing that the causes of the two early unsuccessful flights have been remedied. The United States Navy is on schedule to deploy the Trident II D5 system for the first time in March.

The vast bulk of the procurement budget goes on the conventional equipment programme. At its peak, the Trident programme is due to absorb less than 11 per cent. of the equipment budget and should on average take up less than 3 per cent. of the total defence budget across the procurement period. It remains outstanding value for money. As the programme progresses, some £4.7 billion has been committed so far, of which about £2.7 billion has been spent.

Trident remains by far and away the most effective means of providing a credible deterrent. No other use of the resources to be spent on Trident would provide a level of deterrence approaching it. Finally, it is worth noting that, maintaining a British nuclear deterrent sustains many thousands of jobs in the United Kingdom which depends on it.

As the House will recall, in December I announced the order for three more type 23 frigates, bringing to 10 the number of this class ordered. HMS Norfolk, the first of class, was accepted from Yarrow Shipbuilders in November, and is one of two new first-of-class ships delivered to the Royal Navy in 1989.

HMS Norfolk is undergoing an extensive series of first-of-class trials to prove her many new systems and equipments. For her primary role of anti-submarine warfare she is fitted with both towed array and bow sonar. Her anti-submarine weapon is the ship or air-launched Stingray torpedo. Her surface armament includes Harpoon missiles and, for naval gunfire support, a 4.5 in gun. For self defence, she has the first fit of the new vertical-launch Sea Wolf missile system. She has an extensive range of the latest sensors and communications equipment, and a new computer-aided command system is being developed. Another new feature is the combined gas and electric propulsion system. Rolls-Royce Spey gas turbines are used for medium and high speeds, while the GEC diesel-electric drive minimises underwater noise during ASW operations and gives high endurance at cruising speeds. Also noteworthy is that the type 23's complement of about 170 is about 50 fewer than a Leander and 100 less than a type 22.

The type 23 is designed to operate the ASW variant of the EH101 helicopter and can also operate Lynx or Sea Kings. The Defence Committee published on Friday its report into the EH101 helicopter. I thank the Committee for its report and welcome it. I agree with the Committee's assessment of the importance of this helicopter for the Royal Navy. The programme is now proceeding well despite some earlier slippages and technical difficulties. We are naturally keen to get the EH101 into service as early as possible, but I welcome the committee's recognition in its report that it would be wrong for the Ministry of Defence to commit itself to production until it is fully satisfied about the performance of the helicopter and its cost. We share the Committee's concern about the original contractual arrangements, which we intend to improve by negotiating a maximum price with Westland for its share of developing the airframe and by appointing a prime contractor next year to be responsible for the overall performance of the helicopter, including all its mission system equipment. Our proposed new arrangements will ensure that, when it enters service with the Navy, the EH101 will be the most advanced and capable anti-submarine warfare helicopter in the world.

Mr. Anthony Nelson (Chichester): As the Select Committee report pointed out, the programme is a year behind and will cost perhaps £1 billion more than expected. Will my hon. Friend say a word about staff targets, which seem to change almost faster than traffic lights? Time after time they offer a windfall to defence contractors and are a licence to print money at public expense. Are there plans to change the way in which the Procurement Executive determines staff targets before development and research is undertaken?

Mr. Neubert: That was an extraordinarily sceptical view of the procurement process. Everything that has been said in the debate underlines the fast moving technology involved in defence equipment. One must take into account the continuing changes in the threat and the need to counter it. We therefore seek to get the best possible value for money and the most effective operational response. That will always be a matter of judgment, and it cannot be fixed in time, because any major project will take several years to develop. It would be folly not to take account of changes that occur in the interim.

Mr. Paddy Ashdown (Yeovil): The Minister completely dodged the conclusion of the Select Committee report that the Ministry of Defence's delay, and indecision and its changing of the targets substantially caused the overrun in cost and time. Does he realise with what sense of déjà vu I must yet again say that the Government are doing serious damage to a national product—the Westland helicopter—through this delay and indecision? Will he give an undertaking that the decision to put out to tender the mission systems integration on Merlin will not cause one extra day of delay, given that the type 23 frigate is already four years late? Has he any idea what he is now placing in jeopardy? He is placing in jeopardy serious possibilities of transatlantic orders for the EH101 from the Canadians, Westland's capacity to manage the system effectively making the best use of taxpayers' money and the defence of Britain's sea lanes, of which he spoke so eloquently a few moments ago.

Mr. Neubert: If I were one of the right hon. Gentleman's constituents working for Westland I am not sure that I would find that helpful. Such comment at this stage can only damage the company. That is not the Ministry's view of the position. I am sure that the House will understand that when a Select Committee publishes a report it is normal procedure for due time to be given to consider it. Out of courtesy to the House, and as the report is said to be relevant to the debate, I have today given our first response; a more formal considered response will be given in due course. I suggest that the right hon. Gentleman waits for that.

Mr. Allan Rogers (Rhondda): The Minister must come clean. Is it not true that when this plane was first proposed its specifications were not tight enough to put a maximum cost on it? I understand that discussions are being held on its final cost, but is it not true that, as the hon. Member for Chichester (Mr. Nelson) said, yet again, the goal posts have been moved? The companies involved do not know what the final specifications are. How can a maximum cost be placed on the plane when the Ministry of Defence has not given a final specification?

Mr. Neubert: As I said, these are matters for current negotiation. There is no question of reaching a conclusion across the Floor of the House this afternoon on a matter for negotiation between the Ministry of Defence and the company concerned. I think that it would be in everyone's best interests if we left it at that.

Our force of destroyers and frigates stands at 48 vessels, of which 44 are available for operations immediately or within a short period. We remain committed to a force of about 50 and we plan to order sufficient ships to meet that commitment. We have ordered three more vessels in each of the last two years and we hope to invite tenders for a further batch of ships later this year.

The other first-of-class ship accepted in 1989 was HMS Sandown, the first of five single role minehunters ordered for the Royal Navy. We hope to invite tenders for a further batch in the near future. We are confident that this vessel has the best capability of any minehunter in the world. Her sophisticated variable depth sonar is ahead of any elsewhere in the world. She can operate throughout continental shelf waters and can manoeuvre and maintain station close to a mine in those exposed waters using its vectored thrust propulsors. She has an automatic ship positioning system which is essential to deal with mines under all weather conditions and her computerised command system, Nautis, provides the means of planning the many activities needed to co-ordinate the operation of sonar, ship and weapon systems. Having been on board her only last Thursday, I am very pleased, and not at all surprised, at the interest that has been shown in this vessel by other navies, seeking minehunting capabilities.

The Royal Navy can be proud of these two new classes of ship. Three other new classes have also been ordered by the Government—the Vanguard and Upholder classes of submarine and the auxiliary oiler replenishment vessel. These five new classes account for 23 of the 67 major vessels that we have ordered since 1979 and further orders of all five classes are planned. I should also mention that two vessels of the Trafalgar class hunter-killer nuclear submarine are being built at VSEL in Barrow and HMS Chatham, the last of a class of 14 type 22 frigates, was accepted from her builders in November.

We are also now considering tenders for a new aviation support ship. This vessel will provide dedicated helicopter lift in support of the United Kingdom-Netherlands amphibious force. We hope to be able to make an announcement later this year. Equally important to the amphibious capability are the assault ships, HMS Fearless and HMS Intrepid. As the House knows, we have been considering the results of studies into how best to maintain this element of the amphibious force, either by ship life extension or new build. We shall be able to reach a final decision on this important question only after full and detailed examination of the complex issues involved.

Following our decision to withdraw from the NFR90 project, it remains our plan to procure an anti-air warfare escort ship to come into service at the turn of the century to replace the type 42 destroyers, and we are now considering how best to meet this requirement.

Mr. Ian Stewart (Hertfordshire, North): My hon. Friend has recently reviewed the major naval procurement programme of the 1980s. Will he reflect on the fact that the two major operational commitments during that period were the battle in the south Atlantic and, more recently, the Armilla patrols' participation in the affairs of the Gulf war? When considering the procurement of these further ships, especially frigates, in the 1990s, will my hon. Friend take into account the great importance of assessing in advance possible out-of-area roles so that this dimension is given due weight, as well as the traditional NATO tasks?

Mr. Neubert: My right hon. Friend brings valuable ministerial experience to this matter. We shall certainly take full account of his point. We shall consider all options. Collaboration has not been ruled out, should suitable opportunities emerge. The House will recall that in December I announced that, subject to the satisfactory conclusion of negotiations with the other participating nations, we will be joining the project definition phase of the local area missile system variant of the family of anti-air missile systems, linked to our plans to procure a new generation AAW escort.

Further fleet nuclear-powered submarines are planned; feasibility studies into this future generation of submarines are drawing to a successful conclusion and planning for the next phase of the programme is under way.

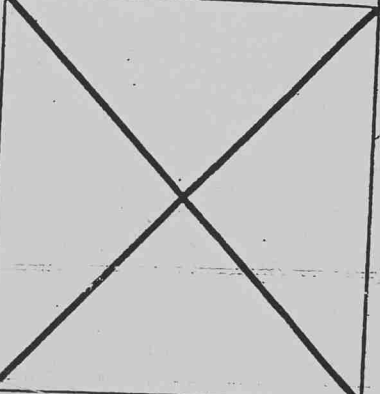

We are updating our existing Sea Harrier aircraft, and plan to procure a number of the FRS2 version. Our sensor capability and weapons system will be modernised and improved as necessary and appropriate.

All this represents a continuing programme of major investment by the Government in the Royal Navy. Our policies will leave the Navy well equipped for the many and varied tasks that it has to face.

Despite the remarkable changes in the Soviet Union and eastern Europe, our overall maritime strategy will continue to be appropriate for the foreseeable future. The Royal Navy is as necessary today to our peace and prosperity as it ever has been.

Mr. Jeremy Corbyn (Islington, North): The Minister acknowledged earlier that there have been great changes in Eastern Europe and the Soviet Union and that a number of treaties that will reduce the nuclear capabilities of both sides are in the offing or have already been signed. Why does the Minister propose to maintain—or even expand—expenditure on naval forces when he admits that there is no perceived enemy?

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PART 7 ends:-

CDP to MOD 12.6.89

PART 8 begins:-

CDP to MOD 22.1.90 (Meeting
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