

MO 26/16/1



*Handwritten notes:*  
You will be aware of last weeks developments  
DR 3/5

PRIME MINISTER

WESTLAND HELICOPTERS

I thought that it would be useful for you and our colleagues to have a note about the Ministry of Defence position concerning Westland Helicopters in the light of yesterday's bid by Mr Bristow and his colleagues.

2. As you know, Westlands are in some difficulty because there is now considerable doubt whether they will obtain the Indian order for W30 helicopters which they had been hoping to secure. They had also been hoping to secure an order from the Ministry of Defence for a developed version of this helicopter to meet Army requirements for helicopter support. But my officials are currently reassessing our requirements in this area and I cannot guarantee that it will be possible at this stage to find room for the purchase of such an aircraft in my programme.

3. The situation confronting Westlands is therefore as follows:

- at the present time and for the next two years they have a reasonable amount of production work; thereafter there will be a considerable gap until production work builds up again from 1990/91 for the Anglo-Italian EH101 military helicopter and, hopefully, for civilian sales;

- if Westlands cannot secure orders to fill this production gap, they may well have to reduce production staffs though it is not yet clear by how many; and the unemployment created in the Yeovil area will be a matter of public debate and concern;



- Westlands must also find £50 million during 1986/87 for their share of the costs of military production of EH101;

- at the same time, and in spite of this production gap, Westlands will still be receiving a substantial volume of work from the Ministry of Defence, particularly for spares and component repair for existing helicopters; for development work on possible collaborative projects and, especially towards the end of the decade, for the planned initial production tooling and preparation for the manufacture of the EH101. Currently the Ministry of Defence are spending some £170 million per annum with Westlands; this is due to go down to about £120 million by 1994/95. Westlands also have a technologies group, including Normalair-Garratt, which makes a substantial contribution to their cash flow and profit.

4. I would favour a market solution to Westlands' difficulties whereby a new management set about invigorating the company, improving its performance, and selling more helicopters. With a management of good calibre, the company should be able to weather its immediate difficulties. Certainly, we should not wish to give it extra orders for which there was no defence need.

5. Mr Bristow may fit the bill if he mounts his bid and is successful. He is a vigorous entrepreneur; he has built up a successful business of helicopter operations, the control of which he is just about to relinquish. Certainly his declared intention to put £60 million into the Company if his bid succeeds will be very useful.

6. For the future, we do face continuing difficulties in the helicopter field. Even with the best will in the world, it is difficult to see a single British specialist helicopter company



competing in worldwide markets in the longer term. But this is a separate if complementary problem and will have to be faced whether this bid is successful or not.

7. The Secretary of State for Trade and Industry does, of course, have responsibilities under the monopolies and mergers legislation, and may wish to comment.

8. I am sending copies of this minute to colleagues on OD and to Sir Robert Armstrong.

*Wright*

Ministry of Defence  
30th April 1985

7