



CONFIDENTIAL

COMMERCIAL IN CONFIDENCE

1. ~~SPD~~
 2. Prime Minister (2)

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 17/5

PRIME MINISTER

WESTLAND HELICOPTERS

I am grateful to the Secretary of State for Defence for sending me a copy of his minute to you of 30 April in which he explained his Department's position on Westland Helicopters in the light of the Bristow Rotorcraft bid.

2 I confirm that the bid will fall to be considered under the merger provisions of the Fair Trading Act and, at least until I have received the advice of the Director General of Fair Trading, it is essential that we should maintain a strictly neutral stance in all public statements.

3 I agree with Michael Heseltine that whether or not the Bristow bid succeeds we are likely to face some difficult decisions on Westlands in coming months. I am not so sanguine as Michael is, however, that Westlands, even under more vigorous management, would be able to overcome their impending shortage of production work by securing new civil or overseas military orders. The world helicopter market is currently very depressed and it may be another year or two before it picks up at all strongly. That is why we took such



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exceptional measures to try to secure the Indian order for the W30. The loss of that order, in circumstances which are bound to be damaging to the W30's commercial prospects elsewhere, combined with the unexpected setback on the military side of the Army's belated decision to reassess the requirement for their Lynx/Puma replacement for which the W30 had appeared to be very well suited, may well oblige Westlands, within the next few months, to consider some quite drastic cutbacks in their production facilities and labour force simply in order to conserve cashflow. It must then be questionable whether the company would be able to expand again its production capacity and product range to meet our defence requirements in the early 1990s and the attractive civil opportunities we foresee developing at that time. I doubt whether a successful takeover by Bristow Rotorcraft would alter in any fundamental way the company's difficult underlying situation.

4 I understand that the company will shortly be completing a new corporate plan and in any case it would clearly not be appropriate for us to consider the company's overall future until the outcome of the Bristow bid is know. I fully share Michael Heseltine's view that there should be no question of giving Westland extra orders for which there was no defence need. But equally I hope we would not dispute that the retention of a fully adequate helicopter capability in this



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country is an essential defence interest. For that reason I
hope that the reassessment of the ~~Lynx~~ ^{WESSEX} Puma ^{ie. AST 404} replacement
requirement can be completed very soon, so that we could
consider it, along with any other possibilities that could be
identified, if the need for an urgent reappraisal of
Westland's position should arise.

5 I am copying this to colleagues on OD and to Sir Robert
Armstrong.

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16 May 1985

Department of Trade and Industry

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Aerospace Westlands Helicopters April 1988

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PS Secretary of State for Trade and Industry

23 May 1985

Andrew Turnbull Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

Dear Andrew,

WESTLAND HELICOPTERS

*Noted
on original
minutes
MA 27/5*

In PM's Box.

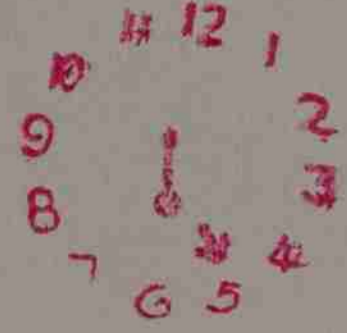
My Secretary of State's minute to the Prime Minister of 16 May contained two references to a possible Ministry of Defence requirement for a new helicopter as a "Lynx-Puma replacement". This was the result of a transcription error for which I must apologize. The references should have been to a "Wessex-Puma replacement" (i.e. AST 404). I should be grateful if you and the other Private Secretaries to whom I am copying this letter could ensure that the necessary corrections are made.

2 I am copying this letter to the Private Secretaries of OD members and Sir Robert Armstrong.

*Yours,
Andrew D Lansley*

ANDREW D LANSLEY
Private Secretary

24 MAY 1985



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