



JU696
Secretary of State for Trade and Industry

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

TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

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The Rt Hon M R D Heseltine MP
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall SW1

D Michael.

WESTLANDS

Alan Bristow came to see me on 13 June, together with Kleinwort Benson, his advisers. He believes that his offer for Westland will succeed, and this is confirmed by the news later on 13 June that the Westland Board have now decided to recommend shareholders to accept the bid.

However, Alan Bristow's purpose in coming to see me was to say that in the light of what he claims to be new information becoming available to him on Westlands' position he is now uncertain whether to proceed. He claims, for example, that he now has information that the value of work in progress on the W.30, including commitments to suppliers, is considerably greater than he had previously been led to believe; that Westlands' commitments to leasing arrangements are much greater than he had previously understood; and that he had not been told by Westlands that the terms of the W.30 launch aid contract with the Government provide for repayment of launch aid in certain circumstances.

Although the Bristow offer is currently open until 20 June, and could legally be extended for a further seven days, Bristow believes that he must publicly announce his intention to proceed or to let the offer lapse by 18 June. His present feeling is that in the light of the information now available to him he will announce that his offer is withdrawn unless:



(i) the Government gives an undertaking to procure 25 of the W.30/160s currently in production if these aircraft prove unsaleable elsewhere. He considered these aircraft might have a useful role in Northern Ireland;

and either

(ii) the Government waives its right to repayment of launch aid if he decides unilaterally to cancel the W.30/200 and /300 (£35m of the agreed £41m launch aid has been paid); or

(iii) there is a firm commitment by the MOD to a purchase of the W.30 to meet AST 404. Bristow says he is looking for firm prospects of around 150 sales for the W.30/300 as a base for continuing the programme, including an MOD order, which he regards as crucial to export sales.

The second of these requests falls to me to consider, the other two to you, and I am uncertain that I could properly give such an undertaking (even if I was prepared on the merits of the case to do so) until Bristow legally took over the contract. However, it must now be the case that a withdrawal of Bristow's bid risks giving rise to a crisis in Westlands' affairs and possibly to the banks or trade creditors of the company taking action which would precipitate a collapse.

Against this background I should be grateful if you would give urgent consideration to Bristow's first and third requests. I shall similarly consider his second request. Westlands themselves, and my own advisers so far as the civil market is concerned, continue to believe that the market is still there on which the decision to give launch aid for the W.30/200 and /300 are based though I have my doubts. I should be grateful to know whether on the military side your own advisers still consider the market identified in 1982 is there, and in particular the prospects which it provided, in MOD's view, to replace the Puma.

I have undertaken to give a reply to Alan Bristow by the afternoon of 17 June and I should be grateful for your response by the morning of that day.

I am copying this letter to the Prime Minister, Geoffrey Howe, Nigel Lawson, Peter Rees and to Sir Robert Armstrong.

NORMAN TEBBIT

Photo: westlands