



10 DOWNING STREET

18 June 1985

From the Private Secretary

Dear Andrew,

WESTLAND

Thank you for your letter of 17 June setting out the position on Westland following your Secretary of State's meeting with Alan Bristow and others yesterday evening. This was considered at a meeting which the Prime Minister held shortly after midnight attended by the Chancellor, the Trade and Industry Secretary, Minister of State for Defence Procurement, Minister of State for Information Technology and the Parliamentary Under Secretary of State, Foreign and Commonwealth Office.

It was agreed that, if the Bristow's bid were withdrawn, it was inevitable that Westlands would shortly go into receivership. The consequences of such an outcome for the United Kingdom's reputation as a major defence contractor were sufficiently serious to justify an effort to avoid it.

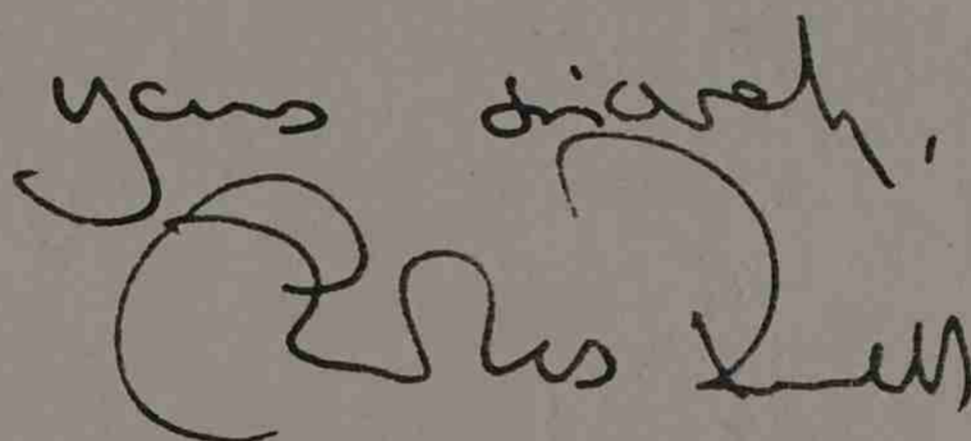
In relation to the specific proposals made by the Trade and Industry Secretary it was noted that the £35 million launch aid was to all intents and purposes lost anyway.

A decision in principle had already been taken to reduce aid to India if the sale of the ONG Series 160 aircraft fell through. Since the original purpose of providing aid for the sale of the helicopters to India had been to help Westland, it made sense to continue to attach the aid to disposal of the helicopters elsewhere if India did not take them. A fresh possibility for disposing of some of them was offered by a letter dated 8 June from President Kaunda asking for 12 helicopters to be covered by 100 per cent grant aid.

Summing up the discussion, the Prime Minister said that the Trade and Industry Secretary had authority to make use of the four points in paragraph 5 of his letter, though it would be important to do so correctly and according to the proprieties (this might mean putting them to the present Westland Board). This might at least persuade Mr Bristow to extend his offer for a further period, which would give time to look for alternative solutions. In making the proposals,

it must be made clear to Mr Bristow and/or Westlands that an undertaking by them not to seek payment of the further £6 million launch aid was an essential part of the understanding. No encouragement should be given to them to believe that the Government would be prepared to go beyond the terms of the proposed understanding. The £30 million to be used for disposing of the ONG Series 160 aircraft would have to be found from within existing aid and/or defence programmes.

I am copying this letter to Peter Ricketts (Foreign and Commonwealth Office), Margaret O'Mara (HM Treasury), Richard Mottram (Ministry of Defence), Henry Steel (Law Officers' Department), Michael McCulloch (Overseas Development Administration) and to Richard Hatfield (Cabinet Office).

Yours sincerely,


Charles Powell

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Department of Trade and Industry