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Secretary of State for Trade and Industry

1 July 1985

The Rt Hon Michael Heseltine MP
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
LONDON
SW1

Prime Minister ②
To note and await
advice from colleagues
AT
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D Michael,

WESTLAND

I was approached yesterday by the Marmon Group Inc a United States company which is considering making a bid for Westland. Marmon is a large family-owned group, not publicly quoted, with turnover of nearly \$2.8 billion, engaged in a wide range of manufacturing operations, international metals trading and mining. It has eight UK subsidiaries engaged in a variety of activities with combined turnover of £55 million. The group has some involvement in the manufacture of aircraft components and in areas related to those covered by Westland's Technologies group, but none in the manufacture of helicopters or other types of aircraft.

2 Marmon told me that if they gained control of Westland they would certainly maintain spares and support for existing helicopters and would hope to continue present and future projects including the W30 and the EH101. However they could not give undertakings on the future of particular projects, or the helicopter business in general, until they were in a position to assess the commercial prospects in detail.

3 Marmon asked whether American ownership of Westland would be unacceptable to the Government. I said that was not solely a matter for me and that I would need to consult colleagues. I also said that one important factor would be what assurances Marmon could obtain from the US Government that they would

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not seek to apply extra-territorial controls in this case. Marmon will pursue this point with the US authorities. Marmon also asked about the position on Government support for sales of W30-160 helicopters if the ONGC order falls through, and about the possibility of the Government seeking recovery of launch aid already paid. I said they should in the first instance discuss these matters with Westland. I expect to receive a renewed approach following these discussions.

4 It could be that the W30 position will cause Marmon to abandon their interest. They are likely to press the Government to guarantee the sale of the 29 aircraft, whereas we could only repeat what was said to Bristow last week. However that position may be resolved by the Indian order going through after all. I believe we must therefore be in a position to respond to Marmon on the principle of American ownership if they should return to us in circumstances where, in the absence of Government objection, they were ready to proceed with their bid.

5 I do not find the prospect of American ownership welcome. I doubt whether we could obtain in advance wholly satisfactory assurances from Marmon about their intentions in relation to the helicopter business, and I would in some ways be happier if the potential bidder was a company with existing helicopter interests rather than one new to the business. Nonetheless, we have to recognise that we could be faced with a choice between an American takeover on the one hand, and, on the other, receivership with no alternative prospective purchaser in the wings. In those circumstances I might well conclude that the national industrial interest, and my Department's interest in respect of the launch aid it has given to Westland, lay in allowing the Americans to take control. I should be grateful to know what view you would take of the defence interest, and whether you would wish to propose that the Government seek to prevent the American bid going through, in those circumstances. If we did wish to prevent the takeover, we would need to contemplate using the powers to prohibit changes of control in the 1975 Industry Act.

6 I am sending copies of this letter to the Prime Minister, the Foreign Secretary and the Chancellor of the Exchequer, and to Sir Robert Armstrong.

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