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MO 26/16/1

4th July 1985

Prime Minister ②

[Handwritten initials]

To note that Mr Heseltine and Sir John Cuckley are against the Marmon bid, though this leaves unresolved the question of whether a different American bid would be acceptable. Policy Unit advise against being too choosy about potential bidders - see attached note.

AT 5/2

WESTLANDS

Thank you for your letter of 1st July about the possibility of the United States Company Marmon Group Inc making a bid for Westland.

Like you I do not find the prospect of foreign ownership of Westland welcome, particularly by a Company like Marmon with no existing interests in helicopters and the related technology. In general terms, the Ministry of Defence needs to have the continuing unfettered ability to procure and operate technologically advanced helicopters of the right type to meet Service requirements, and to get best value for money in doing so. More immediately, we require support for our existing fleet and the continuation of the EH101 programme. In these circumstances, the Marmon position that they could not give

The Rt Hon Norman Tebbit MP



undertakings on the future of particular projects or the helicopter business in general until they were in a position to assess Westland's commercial prospects in detail, presumably after any takeover was completed, is a matter of particular concern on which the Company would need to be pressed. You have also rightly flagged the issue of extra-territorial controls on Marmon and we would be interested to see how they respond to this point as well.

Our view of Westland's present prospects suggests, however, that we are some way from facing a choice between on the one hand, a Marmon takeover and, on the other, receivership with no alternative prospective purchaser in the wings. I understand that Sir John Cuckney has indicated through Lazards, his new financial advisers, that the Company is opposed to a Marmon takeover. Certainly Sir John has been impressive in the way he has handled the banks and financial institutions, and there appears to be at least some prospect for placing the Indian W30s in Zimbabwe and Zambia, if not in India itself. Moreover, Mr Bristow advised my Department recently that he and his backers were still very interested in taking over Westland and a further bid by a group similar to Bristow Rotocraft might be made once the results of the Price Waterhouse audit were known. Should you have any information which casts a less encouraging light on the Company's prospects, I would of course be grateful to receive it.



To sum up, on present information, I would be against a Marmon takeover. But if you obtain further information about their intentions, I will, of course, look at any specific proposition that is put forward.

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.

Yes ew
MH

Michael Heseltine

AEROSPACE: Westland

4/85

