

PRIME MINISTER

5 July 1985

WESTLANDS

Norman Tebbit's response to the Marmon Group is rather like a traditional father quizzing a prospective son-in-law. There is no need for any Government involvement in this bid for Westlands. Westlands intend to reject it. They would only accept the bid as a last resort, to avoid receivership. This is also the Government's last resort, so there is no need to intervene.


More generally, why should we be concerned if Westlands moved into foreign ownership? MOD's supply would not be threatened, because Westlands would only be acquired for its helicopter expertise and as a manufacturing base for them. The extra territoriality issue seems to be marginal. Westlands machines already incorporate American technology and components (indeed, the Lynx is the only Westlands machine which is based wholly on their own technology). Although Westlands are not legally debarred from exporting to markets disapproved of by the US Department of State, they would be commercially imprudent to disregard US views if they want continued access to US technology and components.

If Westlands did become a US subsidiary, and answerable to US jurisdiction under the US Foreign Assets Act, it might make little difference in practice to its exports. Our views are similar to those of the Americans on markets unsuitable

for military exports. But in any case, provided the bidder takes full account of the extent to which we do differ, and is still prepared to back his judgment with shareholders' money - to the benefit of Westlands' shareholders - why discourage? Norman himself has declared that, other than in exceptional circumstances, his approach to takeovers would be determined by considerations of competition - wholly absent in this case.

There are bids for Westlands which we might prefer to Marmon (even though Marmon's management competence has not been questioned). It would be politically easier if Bristow decided, and could obtain permission from the Takeover Panel, to bid again at a more realistic price. From a defence and industrial point of view, a bid from Sikorsky might be far better (Sikorsky expressed interest, but were rebuffed by Basil Blackwell).

We recommend that you comment that this seems to be predominantly a commercial issue, in which the Government need not become involved.

  
NICHOLAS OWEN

AEROSPACE / Westlands: April 1985