

COMMERCIAL IN CONFIDENCE



Treasury Chambers, Parliament Street, SW1P 3AG

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

3 December 1985

*Dear Secretary of State,*

WESTLAND

I was disturbed to learn from my officials of the latest state of play as reported to them orally yesterday afternoon.

I understand that in pursuit of a European solution for Westland you have encouraged the drafting of a document under which the UK government, along with the French, Italian and Germans, would refrain from the purchase of helicopters other than those produced in collaboration between the four countries. This document, which I understand is ad referendum to the four governments' defence Ministers, is in support of a deal whereby Aerospatiale, MBB and perhaps Augusta would support Westland. The effect of such a document is of course to exclude the possibility of our buying third country - in practice American - helicopters, and to lock us into European collaboration.

Such a departure from our policy of competition would be questionable in any circumstances. But my information is that the existence of this document has placed Westland in an impossible position. At your request, the Westland board has considered the European plan but rejected it as commercially unattractive. But they cannot now conclude a deal with Sikorski which they had been pursuing separately and which they regard as commercially attractive because the existence of the document you have been discussing - and which will need to be disclosed in any prospectus - will lead all concerned to suppose that Westland, with a Sikorski stake, will be excluded from all further orders from the four governments, including the UK.

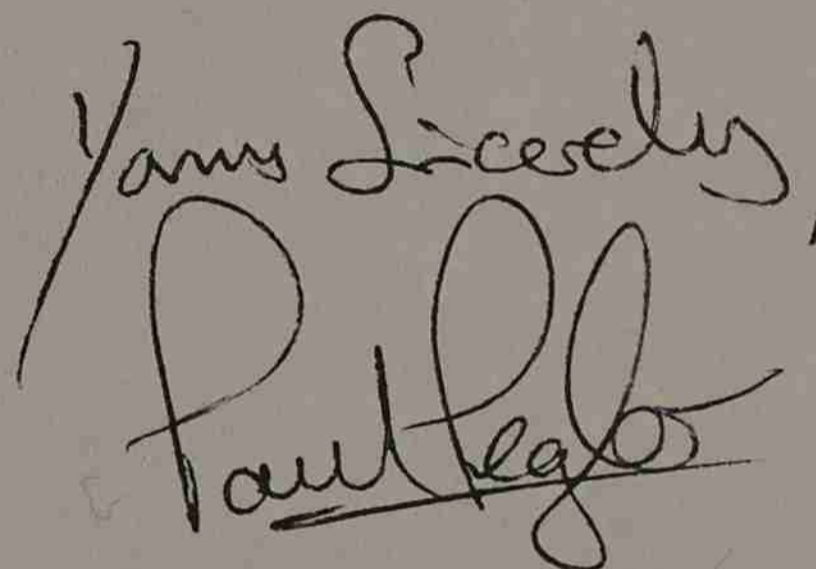
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I understand that Sir John Cuckney has requested the urgent withdrawal of the document since in the circumstances he could not recommend the Sikorski deal to his shareholders.

We will of course have to establish to what extent the current Sikorski deal preferred by Westland differs from the package described in Leon Brittan's minute to the Prime Minister of 4 October. But in my view, our starting point must be that Westland should have the freedom to choose the best commercial deal. If my information is correct and the document you have been discussing does indeed jeopardise a worthwhile and commercial deal with Sikorski I think we must act quickly - if necessary by withdrawing the document if that is the only option which allows Westland to proceed. If necessary, I am sure we should meet to discuss this. There is a danger that we shall be held financially responsible for the company if its preferred and commercially viable course of action is blocked.

I am copying this letter to the Prime Minister, Geoffrey Howe and Leon Brittan.

Yours Sincerely,  


*PL* JOHN MacGREGOR

(approved by the Chief Secretary  
and signed in his absence)

