

CONFIDENTIALPRIME MINISTER

WESTLAND

I have fixed a meeting for 10.00 a.m. tomorrow to consider the future of Westlands. The following have been invited: Trade and Industry Secretary, Defence Secretary, Chief Secretary, Foreign Secretary, and Chancellor of the Duchy.

Notes have been put in by:

- a. Trade and Industry Secretary
- b. Defence Secretary
- c. Chief Secretary
- d. Policy Unit

Simply put, the problem is as follows. Westlands are fairly far down the road in negotiations for Sikorsky to take a substantial minority stake.

The Defence Secretary is very keen to encourage European collaboration in defence equipment. He has persuaded the main French, German and Italian helicopter companies to make a rival offer. To achieve his aim, he got the National Armaments' Directors of the UK, France, Germany and Italy to recommend to their governments that they should procure only helicopters designed and built in Europe.

If accepted by Governments, the effect would be to exclude the Sikorsky bid for Westlands. Sir John Cuckney has already said that he could not recommend the Sikorsky bid to his shareholders with this threat hanging over him.

The options now are:

(i) to make clear that HMG will not accept the recommendation from the National Armaments' Directors, thus opening the way for Sikorsky's bid to go ahead. This appears to be Westland's strongly preferred option.

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(ii) to go the European route favoured by the Defence Secretary, which perhaps has a better chance of preserving a European design and manufacture capability.

The danger is that Sikorsky will be lost, but the European bid will not materialise. In that case Westland would probably look to the Government to bail them out.

The Trade and Industry Secretary, Chief Secretary and Mr Tebbit will favour the Sikorsky option. The Foreign Secretary may side with Mr Heseltine.

C.D.P.

C D POWELL

4 December 1985

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