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10 DOWNING STREET

5 December 1985

From the Private Secretary

WESTLAND

The Prime Minister held a meeting this morning with the Lord President, the Foreign Secretary, the Trade and Industry Secretary, the Chancellor and the Chancellor of the Duchy of Lancaster to consider the future of Westland. Sir Robert Armstrong was also present. My letter of earlier today recorded the conclusions requiring immediate action.

The Trade and Industry Secretary spoke to his minute of 3 December. The choice between accepting the Sikorsky/Fiat offer or one from a European consortium should be left to Westland itself, and the Government should not try to load the dice in favour of the European bid (which was the effect of the recommendation of National Armaments' Directors to give exclusive preference to European designed and built helicopters). It was far from certain whether a viable European offer would in fact materialise. If Sikorsky were to withdraw their offer because of the NADs' recommendations, the Government might find itself with no option but to bail Westland out.

The Defence Secretary spoke to his minute of 4 December. Whichever offer was accepted Westland would look to the Ministry of Defence to acquire the helicopters which they produced. He had obtained details of the offer to be made by the European consortium, which appeared to involve a more substantial injection of cash and less strings than Sikorsky's bid. It would be difficult to explain to other European governments why we preferred an option which would support US manufacturers at the expense of a joint European project. He was not suggesting that the Government should endorse the NADs' recommendation: but nor should it be disavowed, since to do so would give Sikorsky carte blanche.

In discussion the following points were made:

- (i) Sir J. Cuckney was meeting the European consortium today and would be able to report to his board on the nature and viability of their offer;

(ii) time was short. Westland's accounts had to be finalised by 11 December. There was a risk that the Sikorsky offer would be withdrawn and that Westland would not survive long enough for a European offer to take effect;

(iii) it was disingenuous to argue that by not endorsing the NADs' recommendation, the Government would be leaving Westland to decide untrammelled between the two bids. As long as the recommendation was on the table, it was quite enough to block the Sikorsky offer and at the same time gave an unfair advantage to the European consortium. It would also have the unfortunate implication that the European offer needed to be backed by an arrangement in restraint of trade in order to have a chance of success;

(iv) whatever the Government now did would affect the outcome. There would be no European deal if the Government rejected the NADs' recommendation, and no Sikorsky deal if it accepted the recommendation. If both solutions were to fail and Westland were to go into receivership, the Government would be blamed for the consequent loss of jobs;

(v) fuller information was therefore required on the details and status of the rival offers for Westland, together with an assessment of their wider implications, to enable the Government to take a decision.

The Prime Minister summed up in the sense of my letter of earlier today.

I am copying this letter to Miss Joan MacNaughton (Lord President's Office), Colin Budd (Foreign and Commonwealth Office), Richard Mottram (Ministry of Defence), Richard Broadbent (Chief Secretary's Office), Andrew Lansley (Chancellor of the Duchy of Lancaster's Office), and Michael Stark (Cabinet Office).

C D POWELL

John Mogg, Esq.,  
Department of Trade and Industry

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10 DOWNING STREET

From the Private Secretary

5 December 1985

Dear John,

WESTLANDS

The upshot of the Ministerial meeting which the Prime Minister convened this morning to discuss Westlands is that a further paper is to be produced by this evening to enable a fuller and more informed discussion to take place between Ministers tomorrow. The paper should provide more information on the competing Sikorsky/Fiat and European offers; assess their relative merits; and examine the implications of them for HMG's interests. The paper should also analyse the implications of endorsing, rejecting or simply taking no action on the recommendations of the national armaments directors about future procurement of helicopters by European Governments.

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I suggest that this paper be produced jointly by the Department of Trade and Industry and the Ministry of Defence.

I am copying this letter to Richard Mottram (Ministry of Defence), Joan MacNaughton (Lord President's Office), Colin Budd (Foreign and Commonwealth Office), Richard Broadbent (Chief Secretary's Office), Andrew Lansley (Chancellor of the Duchy of Lancaster's Office) and Michael Stark (Cabinet Office).

Yours sincerely,

C.D. POWELL

John Mogg, Esq.,  
Department of Trade and Industry.

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