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MO 26/16/1

PRIME MINISTER

WESTLAND HELICOPTERS

1. We are due to resume our discussion on Westland helicopters tomorrow morning at 9.00 am. There is a further development which I feel I should report to you straightaway.

2. Sir Austin Pearce of British Aerospace was in contact with my Permanent Secretary this afternoon on a matter which need not concern us and in the course of his conversation asked about where matters stood on Westlands. He was concerned at the possible implications of the Sikorsky bid for British Aerospace's European co-operative ventures. When this conversation was reported to me, I myself made contact as soon as I could with Sir Austin and spoke to him on the telephone at 8.00 pm this evening.

3. He explained that he had been in contact at an early stage with the DTI and with Sir John Cuckney about possible British Aerospace involvement but had not taken this further because he



had no wish to take a controlling interest in the company. He had, however, to address the implications for British Aerospace of a Westland link with Sikorsky and the opportunity provided by the interest now being expressed by the European consortium. A Sikorsky takeover would inevitably have impact in Europe in those countries which were British Aerospace's partners on EFA and the Airbus. There were therefore attractions for the company in the alternative approach of the European consortium. He believed that the risk to his industrial interests were sufficient to justify putting to his Board of Directors a proposal that British Aerospace should join the offer being made by the consortium of European companies. Since he had no direct interest in the helicopter business, he would wish to take only a limited stake. I told him that the European consortium were talking in terms of providing around £30M. He said that he believed British Aerospace might themselves participate by offering an additional £5-10M. He would intend to pursue this further at his next Board meeting on Monday.

4. I explained that Ministerial discussions were taking place as a matter of urgency and asked whether he was content that I should report this conversation to you and our colleagues. He said that he would be quite happy for me to do so and would be available tomorrow morning (but not tomorrow afternoon as it happens) if the government wished to make further contact with him.



5. The evidence of concern at an industrial level in our major Aerospace company of the implications of an American stake in Westland is clearly a factor we will wish to address. Equally importantly, British Aerospace participation in the suggested European consortium would I believe change its character in a financial and political way, both domestically and internationally, out of all proportion to the particular sum of money invested.

6. It is of course entirely a matter for you whether to proceed with our meeting at 9.00 am or whether to invite the Secretary of State for Trade and Industry and I to evaluate the implications of this development before there is a collective discussion.

7. I am copying this minute to Lord President of the Council, the Foreign and Commonwealth Secretary, the Secretary of State for Trade and Industry, the Chancellor of the Duchy of Lancaster, the Chief Secretary to the Treasury, and the Secretary of the Cabinet.

Ministry of Defence

5th December 1985