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10 DOWNING STREET

From the Private Secretary

6 December 1985

Dear John,

WESTLAND

The Prime Minister held a further meeting this morning to continue yesterday's discussion about the future of Westland. The Lord President, the Trade and Industry Secretary, the Defence Secretary, the Chancellor of the Duchy of Lancaster, the Chief Secretary, the Minister of State, Foreign and Commonwealth Office and Sir Robert Armstrong were present.

The Trade and Industry Secretary spoke to the paper prepared jointly by DTI and MOD officials enclosed with your letter of 5 December. This recorded clearly that Westland did not believe that the project proposals made by the European consortium were satisfactory. The company wished to proceed with the Sikorsky offer. The only obstacle to this was the existence of the recommendation from the National Armaments Directors. The Sikorsky bid was not entirely an American one since Fiat were also involved with it. He very much hoped that colleagues would now agree that the NAD's recommendation should be rejected so that Westland could reach an untrammelled decision.

The Defence Secretary said that the issues went wider than the Trade and Industry Secretary suggested. The question was whether it was right to allow a significant British defence contractor to come under foreign control. There was an important difference between the Sikorsky and the European offers in this respect. The European consortium were ready to return control to United Kingdom hands at any time in the future. If the Sikorsky bid were allowed to succeed, there was no guarantee that Westland could preserve an independent design capability. Moreover the fact that any Westland-developed technology would be available to the United States would be a major inhibition to future co-operation in joint European projects.

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Sikorsky's bid was based on the assumption that it would be able to sell its Blackhawk helicopter through Westland. He wished to make absolutely clear that there was no question of the Ministry of Defence buying Blackhawk or pulling out of the European NH90 project.

A number of points were made in discussion:

(i) a decision by the Government was needed on whether to write off launch aid to Westland for the W30 helicopter project. Neither Sikorsky nor the European consortium would finalise their offer until this point had been clarified;

(ii) the most pressing problem facing Westland was lack of orders over the next few years. Westland themselves clearly believed that the Sikorsky offer held out the best prospect of filling that gap. This was the case even though Sikorsky had been given no ground to think that the Government would purchase Blackhawk;

(iii) it was the considered view of Sir John Cuckney that Westland would have to go into liquidation unless two conditions could be met: it was absolved from having to repay the £40 million launch aid, and it was possible to say that there was a bid on the table which the Board was minded to accept. The recommendation from the National Armaments Directors was an inhibition to fulfilment of the second condition;

(iv) doubts remained about how firm the European offer really was;

(v) the Government would be severely blamed, not least by its own supporters if it prevented Westland from reaching what the company regarded as the solution which was best for its own interests.

Summing up the discussion, the Prime Minister said that it was clear that a majority of those present were ready to decide there and then that the Government should reject the recommendation from the National Armaments Directors thus leaving Westland to reach their decision whether to accept the Sikorsky offer or that from the European consortium on straightforward commercial grounds. However it was evident that this was strongly opposed by a minority. It would be necessary to reach a decision in a formal Cabinet Committee. There would therefore be a meeting of E(A) enlarged as appropriate on 9 December. Sir John Cuckney and his professional advisers should be invited to make themselves available to explain their views. A new paper should be prepared for the meeting dealing both with

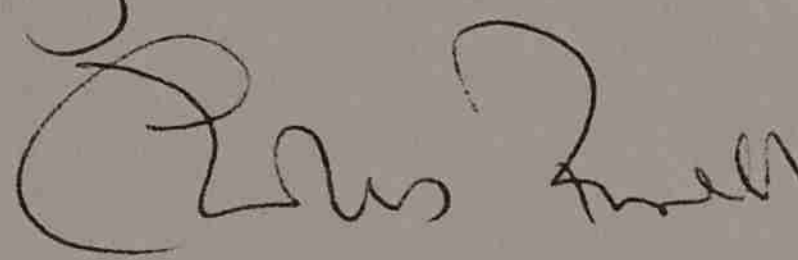
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the question of launch aid and the Government's response to the recommendation of the National Armaments Directors. The paper should be made available to the Cabinet Office this evening but because of the sensitivity of the subject should not be circulated until the morning of 9 December.

I am sending copies of this letter to Joan MacNaughton (Lord President's Office), Richard Mottram (Ministry of Defence), Andrew Lansley (Chancellor of the Duchy of Lancaster's Office), Richard Broadbent (Chief Secretary's Office), Len Appleyard (FCO) and Michael Stark (Cabinet Office).

Yours sincerely,


(C.D. Powell)

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

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