



Yes.

CDP 16/12

10 DOWNING STREET

From the Private Secretary

Prime Minister

Ray | I assume you

are content for Mr.

Brittan to make a

statement on Whitland

this afternoon? It has
been widely covered in

the press.

CDP 16/12



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET 5422

TELEPHONE DIRECT LINE 01-215
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PS/

Secretary of State for Trade and Industry

16 December 1985

Charles Powell Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

CDP
16/xii

Dear Charles,

... I attach a copy of the revised version of this afternoon's Statement following telephone contact (subsequently confirmed by letter) with Richard Mottram, Rachel Lomax and yourself.

2 Copies of my note and this attachment go to those to whom I sent my earlier letter today.

Yours ever,

John Plogg

J F MOGG
Private Secretary

Encl

JF1APJ



Final Version

WESTLAND

For some months now Westland PLC have been in serious financial difficulties and has been seeking an association with an external partner or partners. Negotiations with United Technologies commenced in September 1985 and led to a proposal from Fiat and United Technologies.

At the suggestion of my Rt Hon Friend the Secretary of State for Defence, the Government agreed that my Rt Hon Friend should explore the possibility of an alternative association with Aerospatiale, MBB and Agusta becoming available to Westland. An initial proposal emerged and while it was being produced, the National Armaments Directors of the UK, France, Germany and Italy made a recommendation that certain helicopter requirements should in future be met solely from aircraft designed and built in Europe. For the UK, this recommendation represented a substantial extension to the Government's policy agreed with our European allies in 1978 and of our general approach to defence procurement as set out in the 1985 Statement on the Defence Estimates. The existence of the National Armaments Directors' recommendation was regarded by Westland as a major obstacle to the United Technologies/Fiat option which they at all times preferred. In view of the urgent necessity for a deal to be concluded quickly the Government decided that from 13 December they would not be bound by the National Armaments Directors' recommendation unless Westland had by then received a firm offer from the three European companies which the Board would recommend to



its shareholders. The Government's intention was to give time for the ^{completion} of a firm offer by the European companies to Westland, but to remove any politically imposed obstacle facing Westland if such an offer were not made in time or was unacceptable to Westland.

At the end of last week British Aerospace announced that they were prepared to provide a quarter of the funds offered by the European Consortium. Also the Governments of ^{the United Kingdom,} France, Germany and Italy agreed, but on an entirely provisional basis, that if the European offer was accepted they would meet their requirements in each of the three main helicopter classes by a single collaborative solution.

Westland plc announced on Friday evening that agreement had been reached in principle whereby United Technologies and Fiat will between them take a minority shareholding in Westland. The view of the Board of Westland was that the European offer which was finally received was neither firm enough nor attractive enough for them to be able to recommend it to their shareholders. Accordingly Her Majesty's Government is not bound by the National Armaments Directors' recommendation. Full details of the United Technologies/Fiat agreement and of a capital reorganisation of Westland will be announced by the company shortly. As part of the proposed arrangements Westland will take a licence from the Sikorsky division of United Technologies to manufacture, develop and sell the Blackhawk helicopter.



United Technologies were at all times fully aware that there was currently no MoD requirement and no provision in the defence budget to buy the Blackhawk helicopter or any other comparable helicopter.

Westland have welcomed the agreement as a private sector solution to their present financial difficulties which offers firm prospects of long-term viability, and continues the close co-operation between Westland and Sikorsky which has existed for several decades and led to the production under licence of the successful Wessex, Whirlwind and Sea King helicopters.

Westland intend to continue with the Anglo-Italian EH101 programme, and to continue to take part in feasibility studies on a developed version of the Al29 and on the NH90. United Technologies have assured Westland that they will continue to maintain a helicopter design and development capability in the UK.

The Government have ^{ensured} that Westland had an alternative European-based offer to consider. But as a private sector company it is for Westland to decide the best route to follow in order to secure its future and that of its employees.



CONFIDENTIAL
COMMERCIAL IN CONFIDENCE
MARKET SENSITIVE

CDP
18/62

JU949

PRIME MINISTER

WESTLAND

I have seen Michael Heseltine's minute to you of 13 December.

The proposals of the European consortium were not accepted by the Westland Board, who announced on Friday evening that agreement had been reached in principle for United Technologies and Fiat to take a minority shareholding in Westland. We agreed at E(A) on 9 December that in those circumstances the Government would make clear that it was not bound by the recommendation of the National Armaments Directors that the UK, France, Germany and Italy should meet all their helicopter requirements in three specified classes by equipment designed and built in Europe. That is the only decision that we have as a Government taken with regard to the whole matter.

As you know, however, I do not share Michael Heseltine's view on the balance of national industrial interest. I will not set out all the detailed arguments here. The only point I would make at this stage is that the documents attached to Michael Heseltine's minute are, as his covering letter to Sir John Cuckney makes clear, only "provisionally approved" by Defence Ministers. In



particular, I understand that the German Defence Minister has pointed out that all procurement decisions require the consent of the Bundestag, and has argued that the burden of competitiveness should not be removed from the European companies.

I believe it is essential that the Government should now be seen to stand aside from the decision Westland's shareholders will have to make on the Board's recommendation. That decision is not a matter for the Government, and it would be intolerable if the Government were thought now to be fostering a counter-proposal in opposition to that formally commended by the Board.

Against this background I propose to make the attached statement in the House this afternoon, and I suggest you reply to Sir John Cuckney's letter of 13 December in the terms of the attached draft.

L B

L. B

16 December 1985

Department of Trade & Industry

Enc



JU948

STATEMENT

WESTLAND

For some months now Westland plc has been in serious financial difficulties and has been seeking an association with an external partner or partners. Negotiations with United Technologies commenced in September 1985 and led to a proposal from Fiat and United Technologies.

On learning of this, at the suggestion of my Rt Hon Friend the Secretary of State for Defence, the Government agreed that my Rt Hon Friend should explore the possibility of an alternative association with Aerospatiale, MMB and Agusta becoming available to Westland. A tentative proposal emerged, and during the course of producing it the National Armaments Directors of the UK, France, Germany and Italy made a recommendation that certain helicopter requirements should in future be met solely from aircraft designed and built in Europe. The existence of this recommendation was regarded by Westland as a major obstacle to the United Technologies/Fiat option which they at all times preferred. In view of the urgent necessity for a deal to be concluded quickly the Government decided that from 13 December they would not be bound by the National Armaments Directors'



recommendation unless Westland had by then received a firm offer from the three European companies which the Board would recommend to its shareholders. The Government's intention was to give a limited time for the conclusion of a firm offer by the European companies to Westland, but to remove any politically imposed obstacle facing Westland if such an offer were not made in time or was unacceptable to Westland.

Westland plc announced on Friday evening that agreement had been reached in principle whereby United Technologies and Fiat will between them take a minority shareholding in Westland. The view of the Board of Westland was that the European offer which was finally received was neither firm enough nor attractive enough for them to be able to recommend it to their shareholders. Accordingly the UK Government is not bound by the National Armaments Directors' recommendation. Full details of the United Technologies/Fiat agreement and of a capital reorganisation of Westland will be announced by the company shortly. As part of the proposed arrangements Westland will take a licence from the Sikorsky division of United Technologies to manufacture, develop and sell the Blackhawk helicopter.

Westland have welcomed the agreement as a private sector solution to their present financial difficulties which offers firm prospects of long-term viability, and continues the close co-operation between Westland and Sikorsky which has existed for several decades and which has included the successful Wessex, Whirlwind and Sea King helicopters.



Westland intend to continue with the Anglo-Italian EH101 programme, and to continue to take part in feasibility studies on a developed version of the A129 and on the NH90. United Technologies have assured Westland that they will continue to maintain a helicopter design and development capability in the UK.

The Government have been successful in ensuring that Westland had an alternative European-based offer to consider. But as a private sector company it is for Westland to decide the best route to follow in order to secure its future and that of its employees.



CONFIDENTIAL

DEPARTMENT OF TRADE AND INDUSTRY

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PS/
Secretary of State for Trade and Industry

16 December 1985

Charles Powell Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

CR/14/xi

Dear Charles,

WESTLAND

.. I attach a draft letter for the Prime Minister to respond to Sir John Cuckney's letter of 13 December.

2 I am copying this letter and attachment to Richard Mottram at MOD. I suggest that, if he has any comments, he will advise you directly sending me a copy here.

Yours sincerely,

John Mogg

J F MOGG
Private Secretary

-Encl

JF1APH



JU951

DRAFT LETTER FOR THE PRIME MINISTER TO SEND TO SIR JOHN CUCKNEY

Thank you for your letter of 13 December. I am grateful to you for letting me know of the Board's decision.

I confirm that, as a result of your Board's decision, the Government will not be bound by the recommendation of the National Armaments Directors of the UK, France, Germany and Italy that certain helicopter requirements should in future be met solely from aircraft designed and built in Europe. Leon Brittan will make this clear in a statement to Parliament this afternoon. The Government will of course continue, in accordance with the Memorandum of Understanding signed in 1978, to make every effort to meet its needs with helicopters developed jointly in Europe.

It is obviously important that there should be good relations between key defence contractors and the Ministry of Defence, and I hope that will be the case with Westland in future. So far as Blackhawk is concerned, the MOD is reviewing its requirements for support helicopters. It does not at present have a requirement for Blackhawk or for any other helicopter in the same range. We will make that clear publicly, but will go no further till the outcome of the review is known.

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WESTLAND plc

From
Sir John Cuckney

Prime Minister
CDP
13/12.

4, CARLTON GARDENS,
PALL MALL,
LONDON, SW1Y 5AB.

TEL: 01-839 4061

13th December, 1985

The Rt. Hon. Mrs. Margaret Thatcher, MP,
Prime Minister,
10 Downing Street,
London, S.W.1.

Dear Prime Minister

As you have taken a direct interest in the fortunes of Westland, I am writing to tell you that my Board has this evening decided to try as soon as possible to conclude negotiations with United Technologies and Fiat whereby they will become minority shareholders in Westland plc.

Our understanding is that in this event HMG will now make it clear that the United Kingdom is not bound by the National Armaments Directors' recommendation of 29th November, 1985.

We are pleased to have been able to decide on a totally private sector solution to our problems. The Board trust that they will receive help and assistance from the Ministry of Defence in the future following several attempts by that department to block a solution to Westland's problems. I would also ask that no UK Government statement is made to the effect that HMG will never purchase the Black Hawk. To do so would hardly be consistent with the Government's and, in particular, the Ministry of Defence's stated policies of full and fair competition.

Yours sincerely,