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DRAFT CABINET MINUTESWestland plc

THE SECRETARY OF STATE FOR TRADE AND INDUSTRY said that at the meeting of the Ministerial Sub-Committee on Economic Affairs on Monday 9 December (E(A)(85) 24th Meeting) the Secretary of State for Defence had been authorised to explore the possibility of an acceptable proposition by a consortium of European companies to rescue Westland, as an alternative to the proposition put forward by United Technologies (UT) and Fiat. The meeting had decided that the Government would not regard itself as bound by the recommendation of the National Armaments Directors (NAD) of the United Kingdom, France, the Federal Republic of Germany and Italy (that certain helicopter requirements should be met solely from aircraft designed and built in Europe) if Westland had not by 4.00 pm on Friday 13 December received an acceptable European proposal. In the event a European proposition had been made to Westland shortly before that time, but the directors of Westland had not regarded it as sufficiently firm or attractive and had accordingly announced that they would be recommending the

UT-Fiat proposal to their shareholders. He had accordingly announced in his statement in the House of Commons on Monday 16 December that the Government was not bound by the NAD's recommendation, that the directors of Westland were recommending the UT-Fiat proposal, that the Government had ensured that Westland had an alternative European proposition to consider, and that it was for Westland as a private sector company to decide the best route to follow in order to serve its future and that of its employees. In answer to Parliamentary Questions the following day the Prime Minister had confirmed that Westland was a public liability company and must make its own decisions. Details of the UT-Fiat proposal had now been announced, and further details of the alternative European proposal would be announced very shortly. There would be an extraordinary general meeting of the company on 13 January 1986, at which the shareholders could decide which proposal to accept. In the meantime the Government should continue to say that the decision was one for the company to take, and that the Government was not advocating one solution in preference to

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another. Ministers should not be drawn into public comment on the comparative merits of the two proposals.

THE SECRETARY OF STATE FOR DEFENCE said that the directors of Westland were recommending the UT-Fiat proposal, and that proposal had the conditional acceptance of the company's bankers, subject there being no better offer. Details of the proposal by the European consortium, which included British Aerospace plc and General Electric Company plc as well as three European firms, would be announced very shortly. He had been authorised by the Sub-Committee on Economic Affairs to help to establish the genuineness of the European proposal: this could only have been done by a Minister, since it involved discussion with and ensuring the support of other European Ministers of Defence: the Prime Minister's answers in the House of Commons on 17 December had been clear and helpful. Because of his role in the matter and his responsibilities for defence procurement, he was inevitably asked many questions about the matter. As the Ministry of Defence was a major customer of Westland, he was bound to answer questions whether from the UT-Fiat groups or from the European consortium about the

implications of defence procurement for the workload on Westland, and to ensure that information on this matter was equally available to both the UT-Fiat group and the European consortium group as well as to Westland and its bankers.

THE PRIME MINISTER, summing up the discussion, said that, in view of the continuing public interest in this matter, she would certainly face further questions in Parliament that afternoon, and it was important that she should have the agreement of the Cabinet to what she proposed to say. She would confirm that the statement made by the Secretary of State for Trade and Industry on 16 December (based on the decisions of a Cabinet Committee on 9 December) and her own answers to questions on 17 December represented the policy of Her Majesty's Government; that it remained the policy of the Government that it was for Westland to decide what was the best course to follow in the best interests of the company and its employees; and that, given that that was the Government's policy, no Minister was entitled to lobby in favour of one proposal rather than another. She would make it clear that major issues of defence procurement were for collective decision, and questions about the

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implications of defence procurement for Westland's workload should be answered in a way which did not favour one group or proposal rather than another.

The Cabinet -

Took note with unanimous approval of the Prime Minister's summing up of the discussion, as a basis for her answers to Parliamentary Questions later in the day.