

Heseltine scents victory over Westland rescue

● Mr Michael Heseltine and his supporters are increasingly confident of victory in the conflict over a rescue package for Westland helicopters

● Mr Leon Brittan, who faces Cabinet isolation on the issue, has denied saying a European solution was preferable, but says he encouraged Mr Heseltine to seek one

● Sir John Cuckney, the Westland chairman, said the European bid to be considered today "marginally improved all the terms"

● The Libyan interest in Fiat, disclosed yesterday, seems certain to damage the chances of the US-Italian package. Libya has two members on the Fiat board.

By Philip Webster and Judith Huntley

Mr Leon Brittan, the Secretary of State for Trade and Industry, was looking increasingly isolated yesterday in the Cabinet battle over the future of Westland helicopters.

The Westland board meets today to examine the £73.1 million rescue package put forward by a consortium of European aircraft companies and MPs who have backed Mr Michael Heseltine, the Secretary of State for Defence, in his efforts to find a European solution are growing more confident that he will win the day.

Sir John Cuckney, Westland's chairman, who only seven days ago described Mr Heseltine's intervention to oppose the rival Sikorsky-Fiat package as "astonishing and distasteful", said yesterday that, although a lot of matters required clarification, the European bid "marginally improved all the terms".

Although Mr Brittan denied yesterday that in a minute sent to the Prime Minister on October 4 he had said a European deal was preferable, it was stated authoritatively last night that the minute showed Mr Brittan and his department had clear reservations about the Sikorsky-Fiat offer.

It also expressed the department's view that the company should do all it could to seek a European solution.

Mr Brittan said in a BBC radio interview that to say - as *The Observer* reported yesterday - that he had expressed a preference for a European solution was not true and "a bit of Christmas entertainment".

He also said in the interview that at a meeting in his room in the industry department he had "positively, encouraged" Mr

Heseltine to see if there was a European solution. A Heseltine supporter remarked that the phrase would have made the defence secretary "choke on his lunch" had he heard it.

It was said yesterday that the industry department had left it to Westland to put a European effort together. When that failed to bear fruit, the department was ready to accept the Westland view that the Sikorsky deal was the only viable option. It was at that time, at the meeting to which Mr Brittan referred in his interview, that Mr Heseltine intervened to say that he was going to try to find a European solution. "The idea that Mr Brittan was 'encouraging' Mr Heseltine is ludicrous," it was said.

Sir John described the European deal as a modification of earlier proposals. There were points to clear up. He said the European deal talked about "a commitment" and not a guarantee to provide a workload. He did not think a French threat to withdraw work would go down well with the workforce. "I personally dislike bullying, whether it is ministerial or foreign", he said.

Mr Heseltine made clear yesterday that there was another serious obstacle in the way of the Sikorsky bid.

He said in a BBC radio interview that there was no money in the defence budget to buy Sikorsky Black Hawk helicopters, an integral part of the American-led bid.

Mr Heseltine pointed out that a committee of officials from all departments had advised against going ahead with a new tactical transport helicopter, and any decision now to buy

Black Hawks would mean reversing that recommendation and removing items of higher immediate priority from the defence budget to pay for them.

The disclosure yesterday that Libya has a 13 per cent stake in Fiat, with two members on the Fiat board, seems certain to boost the chances of the European offer and to make it more popular with Conservative MPs.

Fiat, with MMB of West Germany and Rolls Royce, is also in the consortium building engines for the RAF Tornado aircraft. Defence sources argued that that was not the same as giving them a stake in the control of a British industry, as would be the case if they won the Westland deal.

The European bid to be discussed today comes from a consortium made up of GEC, Britain's largest industrial company, British Aerospace, Aerospatiale of France, Agusta of Italy and MBB of West Germany. It is offering to put £37.1 million into Westland in return for 21 per cent of the company.

The offer would mean that Barclays and National Westminster, Westland's bankers will have to convert only £23 million of debt into preference shares as opposed to £28 million under the Sikorsky/Fiat package. And Westland's shareholders will be asked to raise £13.05 million in a two-for-five rights issue at 55p a share.

In financial terms the European offer is better than that made by Sikorsky/Fiat which agreed a £72.2 million deal with the Westland board on Thurs-

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Libyans on Fiat board of directors

By John Earle

If Westland's deal with United Technologies and Fiat goes through, the Yeovil-based helicopter maker will have Colonel Gaddafi's Libyans among its masters. Lafico, the Libyan-Arab foreign investment company, holds about 13 per cent of the shares of Foa Fiat, Italy's biggest multinational, which besides motor cars, makes a wide range of goods, including equipment for the Italian armed services.

Lafico, which is the Libyan Government holding company for its foreign investments, has two members on the Fiat board, Mr Ali Mahmoud Elgheriani and Mr Muhammad Siala. In addition, Mr Siala is a member of the five-man executive committee running Fiat under the chairman, Signor Giovanni Agnelli.

The Libyan Arab Foreign Bank originally bought a holding of about 9 per cent in Fiat in the 1970s, when Libya was flush with petro-dollars. The purchase, announced at a specially-convened press conference, was negotiated by Mr Abdulla Saudi, who has emerged as one of the leading bankers in the Arab world. Subsequently, the holding was transferred to Lafico.

Fiat executives have always said they enjoyed a satisfactory working relationship with the Libyans. In all fields of trade Italian companies have close links with Libya.

Mr Kevin McNamara, Opposition frontbench spokesman said last night: "It is remarkable that the trade secretary Mr Leon Brittan, who was Home Secretary at the time of the killing of WPC Yvonne Fletcher, should think it advisable to recommend that the strategic British defence industry be partially controlled by the Libyan government as a result of the proposed merger with Sikorsky-Fiat. It would be infamous if this were allowed to happen."

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day. Neither has been approved by Westland's shareholders who are due to vote on the US and Italian reconstruction package on January 14.

Sir John said yesterday that once the board and Lazards, its merchant bankers, have the answers to some crucial points in the European offer, they will send a circular to shareholders. The board's recommendation will be given to them before the January meeting.

Sir John made clear yesterday that he would be pressing Lloyd's merchant bank, who are advising the European consortium, over guarantees of work.

WESTLAND BOARD

Sir John Cuckney: became chairman in June after Sir Basil Blackwell resigned having first rejected and later accepted takeover bid for company from Bristow Rotorcraft which was withdrawn in May. Also chairman of Thomas Cook Group, John Brown plc, and Royal Insurance and director, Midland Bank. Remodelled Westland board at end of September, replacing two executive and three non-executive directors.

Admiral Sir John Treacher: director of Westland since 1978, vice-chairman since 1984. Former vice-chief of naval staff and Allied C-in-C Channel and Eastern Atlantic. On National Car Parks board.

NON-EXECUTIVE DIRECTORS

Sir Maldwyn Thomas: former chairman; Rank Xerox Ltd; deputy chairman, John Brown plc, since 1984; Westland board since September.

Lord Fanshawe; as Anthony Royle, was Conservative MP for Richmond 1959-1983

EXECUTIVE DIRECTORS

Mr Hugh Stewart: ran Westland's Technology group until taking over as chief executive after Sir Basil's resignation.

Mr Charles Verrall: finance director; previously chief financial officer, Midland Bank domestic division.

Mr Bill Miller: head of Normalair Garratt.

THE OFFERS COMPARED

	Sikorsky/Fiat	European consortium
New money for Westland	£72.2m	£73.1m
Outside help	£30m (option for £19m more)	£37.1m
NatWest/Barclays converting money owed into shares	£28m	£23m
Rights issue to shareholders	£14.2m (at 60p a share)	£13m (at 55p a share)
Existing shareholder stake in new company	50.1%	63%
Work for Westland	1m man hours over 3 yrs guaranteed.	3.3m man hours over 5 yrs. No guarantee.
	Participation in Black Hawk. Technological developments + marketing for Westland production.	Six Sea King helicopters for MoD. Work on French NH90, rival for Black Hawk. French threaten to take away 1.75m hours of existing work.