MINISTRY OF DEFENCE
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26/16/1E

31st December 1985

Dear Charles,

WESTLAND

You copied to me your letter of 30th December to Catherine Bradley requesting a draft reply to the letter from Sir John Cuckney to the Prime Minister about participation by Westland in European collaborative helicopter projects. As I told you over the telephone this morning, since my Secretary of State has Ministerial responsibility for this matter he cannot understand the basis on which you referred it to another Department for advice.

I have been in touch with Catherine Bradley about the draft reply and understand that, because time is short to meet your deadline, she intends to submit to you direct a suggested draft which takes some limited account of points we here have made. My Secretary of State is strongly of the view that the letter must make clear both that ultimately prospects for collaboration are determined by all the partners and are not within our control and that there are deep reservations amongst our partners about the implications of a Sikorsky/Fiat link for their willingness to collaborate with Westland. Given that these reservations have been expressed to us in such clear terms and given that Sir John Cuckney has now asked the Government a direct question on this matter, the Defence Secretary believes that the Government would be failing in its duty to the shareholders if it did not make clear the realistic position, as opposed to the position which Ministers or the Company might wish for if these were matters within their gift. There is also a number of points in the draft where in my Secretary of State's view the position is over-stated. I attach a revised draft to take the minimum account of these concerns: for convenience the amendments are underlined.

Mr Charles Powell
No 10 Downing Street

I am copying this letter to Len Appleyard (FCO), Catherine Bradley (DTI), Richard Broadbent (Chief Secretary's Office), M L Sanders (Law Officer's Department) and Michael Stark (Cabinet Office).

Yours ever,

Richard Mottram

(R C MOTTRAM)
Private Secretary

DRAFT LETTER TO SIR JOHN CUCKNEY

Thank you for your letter of 30th December 1985.

It has naturally been the Government's concern that a British helicopter design, development and manufacturing capability should if possible be maintained, despite the present difficulties of your company. I understand that both the proposals Westland now have under consideration are intended to achieve that objective. As long as Westland continues to carry on business in the UK, this Government will regard it of course as a British company and will support it in pursuing British interests in Europe. The Government cannot determine the views of our European partners who have themselves expressed deep concern about what they perceive as effective American control of Westland in the event of the Sikorsky/Fiat offer succeeding.

The Government would wish Westland to play a full part in existing and future European collaborative projects, some of which are at present at a very early stage and all of which will of course require the agreement of the foreign Governments and companies concerned. In this connection, you should be aware of the view of other participating countries in the NH 90 project

that the manufacture under licence by your company of the Blackhawk helicopter would be incompatible with participation in NH 90 since the two projects will be competing in the same market. You will appreciate also that the proposal for a single European Battlefield helicopter arose from the provisional Ministerial agreements on future European co-operation which would come into force only in the event that Westland retain their link with their present European partners by accepting the offer of the British/European consortium. In the event of a link with Sikorsky/Fiat, collaboration at the battlefield level would have to rest on the feasibility study for an Anglo/Italian helicopter, the continuation of which would depend upon the attitudes of the Italian government and the Italian company involved, Agusta. Agusta have expressed to the British Government their serious reservations about the implications of a link with Sikorsky and the need in the event of such a link to seek other partners for collaboration.

But I can assure you that, whichever of the two proposals currently under consideration the company chooses to accept, the Government will not differ in its full support for Westland's efforts on behalf of Britain, including supporting Westland's wish to participate in European collaborative projects. The Government would use its best endeavours to resist any attempt by others to discriminate against Westland, although, as I have explained earlier, ultimately collaboration has to rest on the willingness of all the partners to work together.