

PRIME MINISTER

WESTLAND

I attach a copy of a letter which Mr. Heseltine has today written to Mr. Horne of Lloyds Bank International (who are co-ordinating the European Consortium bid). The letter is in reply to some questions put by Mr. Horne, no doubt stimulated by the Ministry of Defence. As you will see, the reply includes the material deliberately omitted from your letter to Sir John Cuckney. Mr. Heseltine has given the letter to the press.

← It was rumoured that Mr. Heseltine was planning to meet the institutional shareholders in Westland. His Office deny that. But I understand that Lloyds Bank International are contacting institutional investors offering all help to make up their minds on which offer to accept, up to and including a briefing from Mr. Heseltine.

I also understand that Mr. Heseltine is working on a further minute to you and Cabinet colleagues in reply to yours of last week. This is likely to arrive on Monday and will argue first that colleagues have never formally disavowed the National Armaments Directors' recommendation as a policy decision; and secondly, that the revised offer by the European Consortium does represent a significant new factor which ought to be discussed.

I have also spoken to Bernard whose advice is that the right public line for No. 10 is to play down Mr. Heseltine's latest letter and to confirm that your letter to Sir John Cuckney represents the Government's position. I have encouraged the DTI to counter-brief hard on the contentious points in Mr. Heseltine's letter. We may need to think again in the light of tomorrow's press and see whether some more disparaging comment on Mr. Heseltine's activities and motives is required. Both Bernard and I will be at home tomorrow if you want to discuss this. Meanwhile, I attach a copy of the note I have given our Press Section.

C.D.P.

3 January 1986

CHARLES POWELL

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WESTLAND

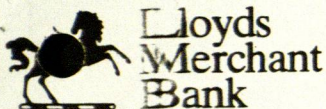
LINE

The Prime Minister set out the Government's position in her letter of 1 January to Sir John Cuckney. Westland will remain a British and European company and the Government will continue to support its participation in European collaborative projects and to resist any discrimination against it, whichever of the two proposals currently being considered by the company is accepted.

BACKGROUND

There is nothing new in Mr. Heseltine's letter. The MOD have long made clear that they have no current requirement for Black Hawk (actually, the military wanted it but their wish was vetoed by Mr. Heseltine who was set on a European solution). It is also clear that the MOD have no requirement for Super-Puma - manufacture of which is one of the main planks in the European Consortium's offer for Westland.

The Prime Minister's letter referred to indications from some companies and some Governments of possible difficulties over Westland's participation in collaborative projects. Mr. Heseltine's letter spells out these indications in greater detail. But of course those responsible for these "indications" have a vested interest in the European bid, so they would say that wouldn't they? No Government has said formally and publicly that it would want Westland to withdraw from collaborative projects if it was linked with Sikorski. Also, one can produce examples of indications in quite the opposite direction, e.g. by the Chairman of Augusta that the company wanted Westland to remain a partner in the EH101 project (for which there aren't any other potential partners). Moreover, one should bear in mind that few, if any, of these collaborative projects make much sense without British participation. Indeed, there would be no reason to expect the UK to purchase the products if Westland were not involved.



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3rd January 1986.

The Rt. Hon. Michael Heseltine, M.P.,
Secretary of State for Defence,
Ministry of Defence,
Whitehall,
London, SW1A 2HB.

Dear Secretary of State,

The Government has answered a number of questions put to it by the Board of Westland plc about its future procurement plans for military helicopters. I should be grateful for advice on three questions relevant to the choice to be made by the shareholders of Westland between the offer from United Technologies/Fiat and that from the European consortium:

- (a) Is there a requirement or funding for the purchase of the Black Hawk helicopter in the Ministry of Defence forward programme?
- (b) Does the Ministry of Defence have any knowledge of a military helicopter type being exported by Westland when that helicopter was not also part of the inventory of the British Services?
- (c) Further to the Prime Minister's letter of 1st January to Sir John Cuckney, what are the projects which Her Majesty's Government have indications from European governments and companies may be lost to Westland if the United Technologies/Fiat proposals are accepted?

Yours sincerely,

D. O. Horne

DOH/GTM



MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000

MO 26/16/1E

DIRECT DIALLING 01-218 2111/3 3rd January 1986

Dear Mr Horne

Thank you for your letter of today's date about HMG's procurement plans for military helicopters. The answers to your questions are as follows:

- a. Is there a requirement or funding for the purchase of the Blackhawk helicopter in the MOD forward programme?

As I have already explained publicly the Ministry of Defence has had under consideration a Staff Target (AST 404) for a Light Support Helicopter which it was originally envisaged might have an in-service date of about 1990. There were three main contenders which it was assessed could meet this target: the W30-404 (Westland plc), the Super Puma (Aerospatiale) and the Black Hawk (Short Brothers Ltd in association with Sikorsky). It was announced in March 1985 that the Army was reviewing its requirements and that the Staff Target was in abeyance. There is in any case no provision in the Defence Budget to

D O Horne Esq
Lloyds Merchant Bank



procure helicopters of this type by the assumed in-service date. To find funds for such a purchase from within the presently planned Defence Budget would involve removing items of higher military priority which we are not prepared to do. The Government therefore has no intention of procuring the Black Hawk helicopter, whether offered by Short Brothers Ltd in association with Sikorsky or by Westland plc in association with Sikorsky.

b. Does the Ministry of Defence have any knowledge of a military helicopter type being exported by Westland plc when that helicopter was not also part of the inventory of the British Services?

I am advised that there has been no such export.

c. Further to the Prime Minister's letter of 1st January to Sir John Cuckney, what are the projects which HMG have indications from European governments and companies may be lost to Westland if the United Technologies/Fiat proposals are accepted?

There are three future helicopters intended to form the core of the fleet of the British Armed Services in the longer term all of which are planned to be produced



collaboratively. At the battlefield helicopter level Britain has been intending to proceed with a feasibility study with Italy which, in the event of Westland proceeding with a link with the British/European consortium, would now be subsumed in a five nation collaborative project (United Kingdom, Italy, The Federal Republic of Germany, France and The Netherlands) on which Defence Ministers have agreed to instruct their staffs to produce detailed proposals. In the 8-9 tonne class feasibility studies have commenced of a helicopter known as NH 90 under a Memorandum of Understanding involving the same five countries. Westland are currently participating in the feasibility study. In the 13 tonne class a bilateral programme has been established between the United Kingdom (Westland plc) and Italy (Agusta) for the EH 101 helicopter. Full development was launched in 1984 and initial production versions are planned to be available by about 1990. There are indications available to HMG from both the other Governments and the companies concerned that a Westland link with Sikorsky/Fiat would be incompatible with participation by that company on behalf of the United Kingdom in the collaborative battlefield helicopter and NH 90 projects. There have been separate indications from Agusta that if the Westland deal with Sikorsky went through Agusta would have to seek other partners.

G.O.M.S.



I am copying this letter to Sir John Cuckney of Westland
plc.

Yes

A handwritten signature in black ink, consisting of several fluid, connected strokes. The signature is positioned below the word "Yes".

Michael Heseltine