

PRIME MINISTER

WESTLAND

Sir John Cuckney telephoned me again this morning. He said that discussions with Sikorsky had continued late last night and they had finally agreed some improvement to their offer which was accepted by the banks. There would be further negotiations during the weekend which should result in a revised and improved offer on Monday. This would be better than the European offer. The Westland board would strongly recommend it and would mount a strong campaign in support of it.

Sir John said that the banks - Barclays and National Westminster had told him that they had never in their experience been subjected to such heavy pressure as over the last few days by supporters of the European proposals.

Sir John also said that Sikorsky had now shot their bolt. If the European consortium made a further and better offer then Sikorsky would withdraw. I asked whether the matter would not at least go to the shareholders meeting. Sir John said that if the difference between the two offers was very small, the board might continue to support the Sikorsky proposals at the shareholders meeting. But if the European offer was significantly better, this would be impossible to reconcile with their fiduciary duty.

I asked Sir John how he rated the prospect of sticking to the 14 January date for the shareholders meeting. He said that "the opposition" were preparing an injunction to stop the meeting being held on 14 January. The Westland board were taking counter legal action. He thought there was a reasonable prospect of sticking to the 14 January date.

The crucial factor now is whether the Europeans increase their offer next week to exceed the revised Sikorsky offer. I am sure that MH will be encouraging them to do so. For that reason, knowledge of the fact that Sikorsky would in those circumstances withdraw their proposals is very sensitive.

*Suzanne*

PP CHARLES POWELL

4 January 1986