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C. Powell Esq.
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Westland

We spoke. I enclose copies of
briefing notes our own Press office
is using. Please refer also to my
own brief of 31 December and
subsequent notes copied to you.

Regards —

 Mitchell



To:
PRESS OFFICE (Miss Samuel)

cc. PS/Secretary of State
PS/Mr Pattie
Sir Brian Hayes
Sir Jeffrey Sterling
Mr Whittingdale
Mr Macdonald
Mr O'Shea

From:

M J MICHELL
US/AIR
VA 7/2
215 4377

3 January 1986

WESTLAND

You asked for further briefing on the Prime Minister's letter, expanding on the note the Secretary of State gave you last night.

2. I attach extensive briefing on the letter.

3. Other points to make are:

i) The new battlefield helicopter project, which is a major element in the European proposals, is no more than a statement of intent by Defence Ministers.

There have been:-

- no discussions on harmonising requirements (we would expect the Germans to be difficult)
- no discussions on industrial work sharing
- no discussions on export rights outside Europe.

Experience (eg European Fighter Aircraft) shows that all these points can provoke long and bitter negotiations. There is no certainty the project would survive these (the EFA only survived by the French being forced out).



- ii) The "savings" of £25m to the MOD arising from the rationalisation of the battlefield helicopter projects are entirely speculative. If they do not materialise, the commitment to buy 6 extra Sea Kings will have to be met by deferring other defence procurements, very probably to the detriment of other UK companies.

- iii) The Super Puma Mark II, which is another major element in the European proposals, is a paper aircraft. There is no requirement for it from either British or French forces. (Normally it is reckoned to be disastrous to launch a military helicopter with no domestic requirement - cf. W.30.)

The French claim that Super Puma II will not be a competitor of NH90 (which is in the same size category) but that Blackhawk will. This is illogical and they cannot have it both ways.

If the French launch Super Puma II, should they be told that their continued participation in NH90 is "incompatible"?

4. I have no more time. For further points if required, refer to me.

M J MICHELL

P.S. I have just heard that by employing the device of getting Lloyds Bank to write to him seeking clarification, Mr Heseltine has written a letter (no doubt to be made public) containing all the material he was unable to get into the Prime Minister's letter. You should be aware of this. The material in this note may help to combat it.



PRIME MINISTER'S LETTER TO SIR JOHN CUCKNEY

You should make all the points in the note given to you by the Secretary of State.

2. Particular sentences to underline in the letter are:-

- i) As long as Westland continues to carry on business in the UK, the Government will of course continue to regard it as a British and therefore European company, and will support it in pursuing British interests in Europe.

The Government's policy is to make available to any company carrying on business in the UK, irrespective of whether it is part-owned (or even wholly owned, although that is not an issue in the Westland case) by foreign interests, the full range of Government support (eg regional grants, ECGD, export support or support in discussions on collaborative projects, as appropriate). This sentence makes clear that this policy will be applied to Westland whether or not there is an American (or European) shareholding in the company.

- ii) Government policy will remain that the UK should procure its helicopters from the most cost-effective source.

This sentence shows that the Government will continue its successful policy of opening defence procurements to wide international competition. In helicopters, this must in practice mean including US designed machines in the consideration in order to get the benefit of the competitive process.



- iii) The Government would wish to see Westland play a full part in existing and future European collaborative projects.

This is a clear statement of the Government's desire to see Westland participate fully in these projects (compare the Government's full support for participation by British Aerospace and Rolls Royce in comparable collaborative projects).

- iv) Some of these are still at a very early stage and all of them require the agreement of the companies and governments - including HMG - concerned.

The main projects concerned are:

- EH101. A joint Anglo/Italian project, launched in full development in 1984. Expected to enter service around 1991/92.

- NH90. A five nation project (UK, France, FRG, Italy, Netherlands) currently in a feasibility study phase only. Subject to decision to launch development and production, could be in service around 1995. But at this stage the outcome of this project is uncertain. Defence staff have advised UK Defence Ministers that NH90 would be "too late, too costly and lacking in the necessary capability" for British forces.

- A new battlefield helicopter project, to be "rationalised" from two existing European projects, PAH 2 and A.129. This project is no more than a "statement of intent" by Defence Ministers at this stage. It does not yet exist as an industrial project.



- v) British participation is in itself an important element in the viability of European collaborative projects.

In the case of EH101 (see above) which has only two partners, continued UK participation is clearly vital to the project (the MOD has a firm requirement for this aircraft).

For other projects, UK participation is important to our partners because:

- a) the UK is a potentially large market; and
- b) Westland technology, especially in rotor blade materials and design, is acknowledged to be very advanced (Aerospatiale is also highly advanced technically. MBB and Agusta are inferior).

- vi) Whichever of the two proposals currently under consideration the company choose to accept, the Government would continue to support Westland's wish to participate in these projects and would resist to the best of its ability attempts by others to discriminate against Westland.

This is the key sentence and makes the position absolutely clear on the point Westland put to the Prime Minister. As the Prime Minister's letter says earlier, certain indications of current views have been expressed in Europe that collaborative projects may be lost to Westland if they choose Sikorsky/Fiat. This sentence makes absolutely clear that, if these views continue to be expressed (which is by no means certain) HMG will resist any attempt by European interests to "blackball" Westland. This statement should be read



with the previous sentences which make clear that decisions on these projects are for Governments, including HMG; and that UK participation is in itself an important element in the projects.

3. Contrast all this against the single sentence:

vii) You should be aware of indications from European governments and companies that they currently take the view that a number of projects in which Westland are expecting to participate in cooperation with other European companies may be lost to Westland if the UT/Fiat proposals are accepted.

On this:

- Emphasise "indications", "currently" and "may". These are expressions of view from countries which are party to the rival European bid. So they are bound to take this line at this stage.
- Note that the views are in fact expressed very weakly. This is not surprising. The Europeans know it may well be against their own interest to blackball Westland.
- So far as Italy is concerned, the "indications" quoted are contrary to the President of Agusta's reported statement of 14 December (Financial Times) that he would want the Anglo/Italian EH.101 to continue.
- We believe the French Government does not fully support the statement by Aerospatiale that they would blackball Westland from NH90 if Westland accept Sikorsky/Fiat.



- We believe the German Government is seriously concerned at the potential increase in its own financial burden if Westland is excluded from NH90.

- These "indications" are clearly related to the specific commercial situation where there are rival proposals. If Westland decide in favour of Sikorsky/Fiat, the European companies and Governments will undoubtedly re-assess their position in the light of their commercial interests. Do the French ever do anything else?

- Westland will remain a European company, whatever happens. Our European partners value Westland technology, and the potential UK market. There is no inherent reason why a British company with a minority US shareholding should not participate in European collaborative projects (Normalair-Garett, for example, does so, although it has a 48% US shareholding).



2 January 1986.

OFF THE RECORD PRESS BRIEFING ON PRIME MINISTER'S LETTER TO
SIR JOHN CUCKNEY

- Letter succinctly makes clear that Government is not leaning on the company, which is being left free to make its own decision. Naturally delighted with this.
- Follows policy set out by Leon Brittan in his statement to the House on 16 December and Prime Minister's subsequent answers to questions on 17 and 19 December.
- Absolutely clear from letter that HMG will not seek to influence the decision of Westland's shareholders by making any threats about future procurement decisions, and will fight hard for Westland's to continue participation in any European projects if the Sikorsky-Fiat deal goes through.
- European Governments and companies have only given indications of view they currently take that future collaborative projects may be lost to Westland. Natural that they should make comments of this kind now, when they are interested parties in the future of Westland. If the UT/Fiat arrangement were to go through, all concerned would need to make a sober re-appraisal of the position. As it is, Agusta have made it clear that they regard continuation of the EH101 and Al29 as crucial in any event. So far as we are aware no Government has said formally and publicly that it would want Westland to withdraw from collaborative projects if it was linked with Sikorsky.
- UK participation is an important element in the viability of European collaborative projects. HMG would therefore be well placed to resist any attempts to force Westland out.



- Aerospatiale are threatening to withdraw sub-contract work from Westland if the line with Sikorsky goes ahead. But Westland also place sub-contract work with Aerospatiale (about 2/3 the value of Aerospatiale's work with Westland) which they might also withdraw. It is therefore most unlikely that Aerospatiale would when it came to it find it in their own interest to implement this threat.

- If Westland opt for the European proposal, they risk damaging their long-standing and successful association with Sikorsky [NOTE, however, that we are not aware of specific existing business which Westland would lose as a consequence].



To:

PS/SECRETARY OF STATE

From:

M K O'SHEA
AIR 1
VA 5/3
215 4213

cc. PS/Mr Pattie
Sir Brian Hayes
Mr Macdonald
Mr Michell
Mrs Williams O.R.

2 January 1986

WESTLAND: FUTURE EUROPEAN COLLABORATION

I have asked the Foreign Office to bring us up-to-date with all the telegrams they have received recording statements by European Governments and companies about their possible unwillingness to continue collaborative programmes with Westland if United Technologies were to take a shareholding. They are aware of the following, all of which are attached:

The Netherlands

- * - Telegram of 17 December from The Hague, saying that The Netherlands was withdrawing "for the time being" from bilateral talks with the UK on European helicopter collaboration.

Italy

- * - Telegram of 5 November from Rome, covering telex from Dr Teti, Chairman of Agusta to Sir John Cuckney.
- Telegram of 18 December from Rome, reporting comments by Agusta and Italian officials.

Germany

- * - Telegram of 27 November from Bonn, reporting conversation between Mr Heseltine and Herr Woerner.



France

- Telegram of 30 October from Paris reporting Aerospatiale's reaction.
- Telegram of 13 December from Paris, principally relating to competition for helicopter orders from India.

2. The three items asterisked are those which No.10 told you had been seen by the Prime Minister.

Comment

3. The following points are worth making:

- So far as we are aware no Government has said formally that they would wish Westland to withdraw from collaborative projects. The Dutch have gone furthest, by withdrawing from bilateral talks "for the time being".

- Neither the French nor Italian Governments are recorded as even indicating that they would expect Westland to withdraw from collaborative projects. (They may have given such indications informally and off the record.)

- The comments of Dr Teti are contradicted by subsequent statements reported in the press that he is anxious to continue with the EH101 and A129.

- French Government officials have indicated to Mr Michell today that they do not necessarily go along with Aerospatiale's view that for Westland



to build Blackhawk would be incompatible with its continued participation in NH90. (On a separate point, French officials have also confirmed to Mr Michell that there is currently no French Army requirement for the Super Puma Mark II, which features strongly in the European proposals.)

M. K. O'Shea

M K O'SHEA