

Pae Pae 2



From the Secretary of the Cabinet

Mr Wicks

[Handwritten signature]

The Prime Minister
will like to see
where Lord Hanson
stands on Westlands.

RA

6.1.86

Prime Minister

It would help if Lord
Hanson wrote to the Times
to say this. CDD.

For Attention of Mike Home

PRESS ASSOCIATION 171056003a

UK FILE Cont. 05-01-86 at 23:19

Sikorsky deal betters, this

mt ms

Defence Secretary Mr Michael Heseltine tonight accused the Westland Board of disregarding a request by senior British industrialists to meet the directors before making a choice between the American and British-led offers to rescue the company.

Mr Heseltine, on hearing the Westland announcement that they would "strongly recommend" the now improved American offer to their shareholders, said he was "amazed" that the Board had disregarded this request.

He told the Press Association: "I was authorised by my Cabinet

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UK FILE Cont. 05-01-86 at 23:23

colleagues to ensure that the Board of Westland had before it proposals not just of the American company but also those of British companies and their European partners.

mt ms

"Earlier today, some of the most senior of British industrialists asked to meet the directors of Westland before they made any choice between the American and British-led proposals.

"It is now late at night. It is not perhaps the best time to express a considered judgment.

"Suffice it to say that I am amazed that so reasonable a request by such

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UK FILE Cont. 05-01-86 at 23:23

important members of a British industrial community should have been so lightly disregarded.

"As the Government has made clear, the shareholders of Westland will wish to make the ultimate judgement."

and wmd



House of Lords · Westminster

January 4, 1986

Dear Woodrow:

Congratulations on an excellent ... and absolutely correct ... article in today's Times. I have followed the course of this situation from the start ... we were asked by the then board to intervene after Bristow made his bid and, after conversations with the MOD (at the top), who indicated minimal interest ... we decided that the ONLY solution lay in Westland's getting together with Sikorsky asap, a course we recommended several years ago.

We all know the insecurity of these so-called European consortia and there is no doubt that THEIR course, if they have one, is to reduce Westland to tin bashing.

I hope John Cuckney, Tony Fanshawe and Co hold firm to the best commercial solution.

Thanks for a very perceptive and timely essay.

As ever

James

Sir Woodrow Wyatt
19 Cavendish Avenue
London NW8

Robert RIA

For the PM's info -

James

Woodrow Wyatt
Bovver boy's
hover ploy

Michael Heseltine's self-appointment as cheer-leader for the European consortium in the save-Westland contest is odd not merely because the Cabinet's official policy is neutrality but also because last summer his attitude was quite different.

In late June and early July Sir John Cuckney, Westland's chairman, asked for government help in underwriting the company's future work position to tide it over its cash crisis. At that point Heseltine was unconcerned about Westland going into receivership.

Moreover during August and September the Ministry of Defence withheld some £6 million due in payment for fear it might be criticized for giving money to the company if it immediately went bankrupt. Heseltine's hostility stimulated trade creditors to press harder and discouraged customers from placing further work.

As Heseltine offered no help to the company which he now claims to be vital to our technology, Westland looked for a survival kit elsewhere. The obvious choice was Sikorsky, with which Westland has been associated for 40 years. Westland's most successful helicopter, the Sea King, which was so valuable in the Falklands (Heseltine now wants to buy more of them), was made under licence from Sikorsky. The two companies are natural partners.

The Sikorsky bid involves a guarantee of long-term work with growing prospects. Though in certain circumstances a Sikorsky-Fiat shareholding in Westland could rise to some 35 per cent, it would not amount to a take-over, as has been mischievously propagated. Initially Peter Levene, the MoD official heading weapon procurement, encouraged Sikorsky to come in. A senior vice-president of Sikorsky saw Heseltine, who said he had no objection.

What happened suddenly to compel Heseltine to the belief that two Nato firms coming to the rescue of Westland were a menace to the state?

It could not have been the merits of the case which galvanized him into egging on the hastily botched together European consortium and threatening Westland with a cessation of government purchases and other things too horrible to mention if it did not do his bidding. None of the elements of the European consortium had previously offered the help needed. The German participant would require parliamentary authority which is unlikely to be forthcoming in view of Germany's competition laws. Aérospatiale (France), British Aerospace and GEC all considered receivership the best solution.

Pique in part was responsible for the extraordinary lengths to which Heseltine has gone in breaching the Cabinet policy of neutrality. According to the *Sunday Telegraph* of December 22 he was "goaded ... because his efforts to have the European plan discussed in Cabinet were thwarted". Doubtless also Heseltine thought it was time for him to make a flourish to register that he was in the fore of contenders for the leadership in succession to Mrs Thatcher.

Western Europe has over-capacity in helicopter production. Large losses are being made and there are considerable redundancy problems. The European offer of steady and prolonged work for Westland seems dubious. The unpleasant threat from Aérospatiale to withdraw work if Westland does not fall in line behind Heseltine is also tenuous as its contract would not allow it to do so for at least a year.

The threat that Westland would not get further orders from the MoD is illusory, as such procurement decisions are made by a Cabinet committee, not by the Defence Secretary personally. So is the threat that Westland would not be allowed to join in European projects, if any. This is an intergovernmental matter, as are purchases by Nato. Westland will remain a British firm if the Sikorsky-Fiat bid succeeds and will have still stronger Nato credentials for participating in Nato's NH90 helicopter.

The ill-thought-out European consortium would give Westland component work, not the building of whole helicopters. It is thus a greater danger to the future of British technology than the Sikorsky plan, which would enable construction of entire helicopters to be maintained. Sikorsky has a high regard for Westland expertise, which is the main reason for its interest. Sikorsky believes that Westland could materially help with exports in countries where it has a better *entrée* than Sikorsky; and Black Hawks made by Westland would be 100 per cent British.

It is not surprising that eight out of 10 of Westland's 11,000 employees prefer Sikorsky. Its backing looks much more attractive than the rickety, non-cohesive European consortium of loss-makers with no central purpose which would be quite likely to let Westland down at the first sign of trouble.

However, shareholders and employees alike can be grateful to Heseltine for one by-product of his curious change of behaviour. It has stimulated the European consortium and Sikorsky-Fiat into making offers which a few months ago Westland would have thought impossible.

Heseltine has absurdly gambled his political future on Sikorsky-Fiat being defeated. He has called in patriotism, though it is hard to see the difference between one set of Nato allies and another. He is arousing baseless fears about lost British technology which a few months ago did not alarm him at all. He has raised the flag of government intervention to appeal to the *dirigistes* in the Tory party and elsewhere.

But all the evidence suggests that his intervention is on the wrong side. He has bullied and blackmailed Westland. In short, he has got himself into a regular tantrum about nothing at all.

Whichever way the Westland shareholders now decide, Heseltine will be left with no reputation for reliability or sound judgement but will have shown himself ready to veer impulsively in search of a political opportunity. That will not endear him to those who one day will choose the next Tory leader.