



MR WILKES

10 DOWNING STREET

*From the Private Secretary*

SIR ROBERT ARMSTRONG

LETTER TO MR. PADDY ASHDOWN, M.P.

I am inclined to think that a somewhat shorter reply will be better and attach a possible draft as a contribution.

CHARLES POWELL

7 January 1986



10 DOWNING STREET

THE PRIME MINISTER

Thank you for your letters of 3 and 6 January, which arrived simultaneously, about Westland.

I am grateful for what you say about my recent letter to Sir John Cuckney. Like you, the Government want to see Westland continue in business as a successful company designing, developing and manufacturing helicopters. Clearly this needed a financial re-construction, an injection of new capital and assurances of a continuing and adequate workload. The company have received two sets of proposals addressing these needs and their Board have recommended acceptance of one of them. It is now for the shareholders to decide whether to follow their Board's advice.

The Government's role has been limited to ensuring that the company has a choice and to providing information about our own procurement policy and about European collaborative projects. We cannot, of course, determine the attitude of foreign governments and companies towards future collaboration with Westland. I can only say that the Government want Westland to continue to take part in such projects, whatever decision they reach about their future, and will resist to the best of its ability any attempts -

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which I profoundly hope will not be made - to discriminate against Westland.

You will not expect me to take altogether seriously some of the more extravagant comments in your letter. But I am glad that we share the objective of a secure future for Westland and its employees.

Paddy Ashdown, Esq., M.P.

DRAFT LETTER FROM SIR ROBERT ARMSTRONG TO PADDY

ASHDOWN ESQ MP

Thank you for your letter of 3 and 6 January about Westlands.

The Government would like to see Westland continue in business as a British company designing, developing and manufacturing helicopters. It accepts that, if this is to happen, Westland needs a financial reconstruction, an injection of new capital, and assurances of a continuing and adequate workload. There are now two firm proposals, one from United Technologies and Fiat and the other from a group comprising GEC, British Aerospace, Aerospatiale, MBB and Agusta. It appears that both proposals would in their different ways meet these needs. The Government has made it clear that it is for the company and bankers, presented with these two proposals to decide what course to follow, taking account of the recommendation so the board of directors of Westland and of all relevant information.

In reaching that decision the company already needs and is entitled to seek and be given the

fullest possible information both as to the procurement plans and interests of the British Government, as its major customer, and as to the implications of its decision for collaborative agreements and projects in which it is engaged. It has, I understand, a long-standing relationship with Sikorsky; and it is the British partner in a number of European collaborative projects. The company has to consider how whatever decision it may take will bear upon the future of these relationships.

In the letter which I sent to Sir John Cuckney on 1 January, I made it clear to Westland that there have been indications from European governments and companies that they currently take the view that a number of projects in which Westland are expecting to co-operate with other European companies may be lost to Westland if the United Technologies/Fiat proposals are accepted. In the letter which the Secretary of State for Defence sent to Mr David Home on 3 January, he set out some of these indications in greater detail. The British Government is not responsible and cannot answer for the views of the governments and companies concerned or for the indications that

have been given; but in so far as they have been made known to the Government, the Government is bound to ensure that they are made known to the directors and shareholders of Westland and to their bankers, as matters potentially relevant to the decision which they have to make for Westland to assess the significance of these indications, together with all the other information available to them, before coming to their decision.

Clearly British participation - which means so long as Westland is a company registered and carrying on business in Britain means Westland's participation - is an important element in the viability of the European collaborative helicopter projects to which Britain is a party. However the company decides, the British Government will support its wish to continue in these projects, will seek to make or encourage arrangements which make it possible for it to do so, and will be guided accordingly in its dealings with the other governments concerned. It will be for the other governments and companies concerned to decide in the light of the company's decision and of all the other circumstances what course of action is in their best interests as they see them and in the

interests of European collaboration. It is likely that there would no doubt be a period of discussion and negotiation, the outcome of which no one could wish to predict at this stage; but I can assure you that in that discussion and negotiation it would be among the British Governments objectives to maintain European collaboration and to work with its European partners for the continuing viability of collaborative projects which could be a cost-effective source for the future helicopted ies concerned.

The company's shareholders and bankers now have, as you say, a very difficult and important decision to take. It is a decision which must be taken in the light of the fullest possible information which they can get from the groups making proposals to them as to the nature and implications of these proposals. The Cabinet has decided that the company and its bankers should now be left to clarify these matters with the representatives of the two gropus and without further intervention from other parties, including th eGovernment, some to the extent to which the company itself or its bankers find it necessary to call for further information from other parties for

the purpose of making their decision. All members of the Cabinet have agreed to be bound by that decision.