



10 DOWNING STREET

8 January 1986

*From the Private Secretary*

WESTLAND

Thank you for your letter of 6 January replying to my earlier one about the Government's approach to Westland.

The Prime Minister thinks that the present situation is a good deal more straightforward than your letter suggests.

Ministers decided that the Government would not be bound by the NADs recommendation. This means that we have not accepted it now, and have not entered into a commitment to accept it in any hypothetical circumstances in the future.

The Prime Minister is concerned that other European Governments appear nonetheless to have been encouraged, in the course of discussion among European Defence Ministers, to adopt the position that Westlands should only be allowed in future to take part in European collaboration projects if they accepted the European package. This would be against UK interests and would run counter to the assurance she gave Sir John Cuckney that the Government would support Westland's participation in such projects irrespective of whether the company accepted the UTC/Fiat or the European proposals.

The Prime Minister does not understand the logic of the case put forward in your letter for a change in the Government's policy. Cabinet was aware on 19 December of the existence of two offers but the Government's policy has always been not to take a view between them, leaving it to the Board of Westland to decide what proposals and advice they wished to put to shareholders and for the shareholders to take the final decision. Although the terms of both offers have changed somewhat since then, the basic fact that the Westland Board have had a choice has not altered. To argue that some "commentators" regard the European proposals as superior is surely neither here nor there. The Prime Minister does not believe, therefore, that either of the two arguments you have advanced justify re-opening the decision which the Government has taken and which she set out in the House on 17 and 19 December.

/I am copying

*file* *LR*  
*LOBASE*  
*J. Wiggins - CO*  
*Dr P. Cadock*

*LB*

I am copying this letter to the Private Secretaries to other members of the Cabinet, to the Legal Secretary to the Law Officers and to the Private Secretary to the Secretary of the Cabinet.

CHARLES POWELL

Richard Mottram, Esq.,  
Ministry of Defence.

PRIME MINISTER

WESTLAND

I attach a first draft of a possible reply to Mr. Heseltine's minute. Subject to your views, I would need to clear it tomorrow with the Cabinet Office and, privately, with the Department of Trade and Industry leaving you to have another look at it in the afternoon. I have tried to deal with the main points without going into great detail. You may like to see the draft prepared by Mr. Brittan which seemed to me a bit turgid and long-winded.

CDP

(CHARLES POWELL)

7 January 1986

*Excellent answer - single point - which I doubt*  
*the answer*  
*not*

DRAFT LETTER TO RICHARD MOTTRAMWESTLAND

Thank you for your letter of 6 January replying to my earlier one about the Government's approach to Westland.

The Prime Minister thinks that the situation is a good deal more <sup>straight forward</sup> ~~simple~~ than your letter suggests.

First, Ministers decided that the Government would not be bound by the NADs recommendation. This means that we have not accepted it now, and have not entered into a commitment to accept it in any hypothetical circumstances in the future. To suggest otherwise is open to objection on three grounds:

- (i) to imply that European collaboration projects would come into effect for the United Kingdom only if Westland decided to accept the European package runs counter to the assurance which the Prime Minister gave Sir John Cuckney that the Government would support Westland's participation in such projects irrespective of whether the company accepted the UTC/Fiat or the European proposals.
- (ii) It would be incompatible with the Government's policy of competition and value for money in defence procurement, since it is evident that this can best be achieved if we are able to consider procurement both of helicopters developed under the European collaborative arrangements and of American designed helicopters.

(iii) ~~The NADs recommendation is a measure in restraint of trade and would carry the risk of retaliation by others, notably the United States. It is not just a matter of defence procurement policy. There are wider issues to be considered.~~

*don't they already disburse?*

The Prime Minister does not understand the logic of the case put forward in your letter for a change in the Government's policy. Cabinet was aware on 19 December of the existence of two offers but decided not to take a view between them, leaving it to the Board of Westland to decide what proposals and advice they wished to put to shareholders and for the shareholders to take the final decision. Although the terms of both offers have changed somewhat since then the basic fact that Westland have a choice has not altered. To argue that some "commentators" regard the European proposals as superior is surely neither here nor there: it is for Westland's shareholders to decide whether or not they prefer them. The Prime Minister cannot find any new arguments in your letter which were not available to Ministers when they took their decision on 19 December and can see no grounds for re-opening that.

I am copying this letter to the Private Secretaries to other members of the Cabinet, to the Legal Secretary to the Law Officers and to the Private Secretary to the Secretary of the Cabinet.

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COMMERCIAL IN CONFIDENCE

DRAFT

R C Mottram Esq  
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WESTLAND

The Prime Minister has read your letter of 6 January, and has asked me to reply as follows.

The decision of the E(A) meeting on 9 December was unequivocal: that if a viable European package which the Westland Board could recommend were not in place by 4.00pm on Friday 13 December, the UK Government would then make clear that this country would not be bound by the NADs' recommendation. Since no such package was in place by the specified time, the Secretary of State for Trade and Industry duly announced on 16 December that the Government was not bound by the NADs recommendation. That remains the Government's position, which could only be changed by a further collective decision of Ministers. ~~The Prime Minister would be disposed to allocate time to such a further collective discussion~~

*as Westland is still to be kept public W. hand as per the report to the H/P/R change*  
*have not done*

~~only if the circumstances of 9 December no longer obtained -~~  
in other words if Westland was no longer contemplating a reconstruction involving a non-European company. ~~In these new~~  
*Circumstances* ~~Ministers would need to consider~~ *the* NADs recommendation in the context of general defence procurement and competition policy, and of wider international considerations. ~~There has~~  
~~so far been no collective discussion of those aspects, although~~  
~~in his minute of 17 December the Chief Secretary expressed his~~  
~~concerns, which as I have said the Prime Minister found very~~  
~~pertinent.~~

The Prime Minister does not consider that any question of "public faith" is at issue here. The Government's position was made absolutely clear in the Trade and Industry Secretary's statement on 16 December.

*the letter has been written and I would be regarded as a breach of faith*

So far as the fifth paragraph of your letter is concerned, the Prime Minister considers it misleading to present the argument as one about "whether Britain should seek to collaborate with her European partners or allow herself to become a licensed-manufacturer of US designed and developed equipment". As she made clear in her letter of 1 January to Sir John Cuckney, whichever of the two proposals currently under consideration the company choose to accept, the Government will continue to support Westland's wish to participate in European collaborative projects and will resist to the best of its ability attempts by others to discriminate against Westland. The Prime Minister believes that if the Westland link with United Technologies/Fiat is

implemented the Government will be able to consider both the procurement of helicopters developed under European collaborative arrangements, and that of American-designed helicopters.

*This would need to come on to agenda  
e value for money in defence procurement expressed by  
Ch. 2. 2  
min  
9/7/74*  
The Prime Minister does not believe that developments since

19 December call for any change in the Government's policy of not indicating a preference for either of the two offers. She does not consider that the views of commentators, whether or not correctly assessed, should dictate Ministerial discussions.

Nor is she aware that the conduct of the Board of Westland has been such as to require Ministerial discussion or intervention.

Indeed she considers that no criticism can or should be made of the way in which Sir John Cuckney and his colleagues have conducted themselves. The Government's policy has been that it is for the Board of Westland to decide what proposals and advice they wish to put to shareholders, and for the shareholders to take the final decision. The Government has never reached a view on which option it preferred; indeed the Government's position has been that it is not for it to take such a view, nor to seek to influence shareholders by expressing public views on the advice the Westland Board may from time to time issue.

The preference of a number of Ministers for the European alternative, noted by the Prime Minister in her summing up of the discussion on 9 December, was expressly qualified by the proviso that such

*these Ministers would have had prepared if the*  
~~an~~ alternative could be developed into a form which the Westland

Board would regard as preferable. That has not happened.



It is not correct to talk again about original preference

For these reasons there is no question of expressing again a preference originally held.

I am copying this letter to the recipients of yours.