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PRIME MINISTER'S QUESTIONS, 14 JANUARY, 1986

WESTLAND

Line to take

The Government's concern is to see a financial reconstruction of Westland as soon as possible which maintains a British helicopter design, development and manufacturing capability, supports UK participation in collaboration with NATO allies and safeguards the interests of the company, its employees and its shareholders. I believe both sets of proposals put to the company could achieve these objectives; I hope that the shareholders will be able to take their final decision very shortly.

[If pressed] The Government have consistently sought to avoid acting in a way which effectively precludes the company from accepting one or other of the two proposals. We have never favoured the United Technologies/Fiat proposals over those of the European consortium. 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.

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FURTHER NOTES FOR SUPPLEMENTARIES

1. Q Is it true that the Government would prefer the American proposals?

A The Government are satisfied that the company will continue to be able to serve the national interest whichever of the two proposals is accepted by the shareholders. That being so, we have consistently avoided stating a preference for one or other of them, and I believe it would be wrong for us now to depart from that stance.

2. Q Has United Technologies confirmed that it wishes Westland to retain an independent helicopter design document capability?

A The Westland Board have told shareholders that United Technologies has made it clear that it wishes Westland to retain its own helicopter research, design and development capability.

3. Q Why, then, did Mr Brittan instruct Sir Raymond Lygo to withdraw from the European proposal 'in the national interest'?

A He did not. He has assured me that he simply urged on Sir Raymond the need for an early resolution of the future of the company, and the need to avoid statements and arguments in relation the Westland position which could do wider damage to United Kingdom commercial interests, including those of British Aerospace, in the United States.

4. Q Why was Mr Brittan concerned about implications for Airbus sales?

A Because British Aerospace has a substantial stake in the A320 Airbus and we are naturally concerned to

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protect their interests, and that of our French, German and Spanish partners in the project. Also, as the House knows, the Government are committed to advancing £250m launch aid on this project. The recovery of all but £50m of this is dependent on sales of the aircraft. For all those the reasons I am naturally concerned at any possibility that Airbus sales might be made more difficult.

5. Q Why did neither you nor Mr Brittan acknowledge the existence yesterday afternoon of the letter Sir Austin Pearce sent to you?

A The Secretary of State for Trade and Industry has already made a full supplementary statement to the House about this. On the nature of the Government's advice to British Aerospace, I entirely support the points my Rt. Hon. Friend made, as he has reported them to the House.

6. Q What is the position on the National Armaments Directors' recommendation?

A The Government are not bound by the recommendation of the National Armaments Directors that certain helicopter requirements should in future be met solely from aircraft designed and built in Europe.

7. Q Did the Government, in fact, reject the recommendation of the national armaments directors of the UK, France, Germany and Italy (that certain helicopter requirements should in future be met from European aircraft) in order to leave the way clear for the American proposal?

A On the contrary, the Government's decision enabled both sets of proposals to be carried forward on an equal footing.

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8. Q Why did Westland reject the European consortium proposals on that Friday after such a short time for consideration?

A I am not a director of the company. But I understand the proposals were not fundamentally different from those canvassed during the previous few days. The company's board believed then, and still believe, that the United Technologies/Fiat agreement provides a better solution to their short-term workload problems, and better prospects of long-term viability.

9. Q Why has there not been a full Cabinet discussion of the issues?

A Following consultations among the Ministers most closely involved, the subject was very fully discussed at a major meeting of all the Ministers concerned. The decision then reached, which underlay the Secretary of State's 16 December statement, was again endorsed by the Cabinet at each of its next two meetings.

10 Q Will the Government now ensure that both proposals are put to the shareholders?

A It is for the Westland Board to recommend to the shareholders which of the proposals it considers the best deal. It is for the shareholders to take the final decision.

11 Q What about the reports that our European partners will withdraw from collaborative projects if Westland accept the American proposal?

A I assured Westland in my letter of 1 January to Sir John Cuckney that as long as it continues to carry on business in the UK, the Government will continue to regard it as

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a British company and will support it in pursuing British interests in Europe. We shall support Westland's wish to participate in European collaborative projects whichever of the two proposals is accepted, and we shall resist to the best of our ability any attempts by others to discriminate against Westland.

12 Q Is it true that the Ministry of Defence contributed to Westland's problems by failing to place orders for helicopters during 1985?

A The Ministry of Defence did not confirm a requirement for support helicopters for which Westland had been hoping. The Ministry also declined requests from the company to place additional orders for W30 helicopters, to help with their short term problems, because there was no military requirement for such helicopters.

13 Q Will MOD now buy Blackhawk?

A The MOD does not at present have a requirement for Blackhawk or for any other helicopter in the same range.

14 Q If MOD does not buy Blackhawk, doesn't this demonstrate that Westland would do better under the European proposal?

A Westland and Sikorsky believe there is a substantial market for Blackhawk in Europe and many other parts of the world. But it is for the shareholders to decide whether to support the Board's proposals.

OPPOSITION MOTION ON WESTLAND PLC

GOVERNMENT AMENDMENT

"Endorses the Government's consistent objective of supporting Westland plc in its efforts to achieve a financial reconstruction, of supporting UK participation in collaboration with NATO allies and of safeguarding the interests of the company, its employees and its shareholders; recognises the efforts of the Government to ensure that the Westland Board had more than one option to secure that objective; affirms that it will be for the company to determine its future course of action; and further recognises the competence of departmental Select Committees of the House of Commons to consider the issues raised by these developments."