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DEFENCE COMMITTEE

21 April 1986

Dear Mr Powell,

I am enclosing a copy of evidence given in public to the Defence Committee in their inquiry into the defence implications of the future of Westland plc.

This transcript is uncorrected, and is therefore only for your own private use.

In view of the fact that evidence given before the Committee may affect other witnesses, individuals or companies, the Defence Committee wish you to have the opportunity to comment on any matters in the evidence; they will welcome such comments in the form of written evidence, which should be sent as soon as possible to Mr Robert Rogers, the Clerk to the Defence Committee, at the above address.

Yours sincerely,  
Nicholas Wright

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HOUSE OF COMMONS  
MINUTES OF EVIDENCE  
TAKEN BEFORE

THE DEFENCE COMMITTEE

WEDNESDAY 16 APRIL 1986

MR NORMAN LAMONT, MP, AIR MARSHAL SIR DONALD HALL, KCB, CBE, AFC,  
MR B. REEVES and MR J. GULVIN

Evidence heard in Public

Questions 2248 - 2355

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WEDNESDAY 16 APRIL 1986

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Members present:

Sir Humphrey Atkins, in the Chair  
Mr Dick Douglas  
Dr John Gilbert  
Mr Edward Leigh  
Mr Keith Speed  
Mr Neil Thorne  
- - - -

MR NORMAN LAMONT, a Member of the House, Minister of State for Defence Procurement, examined.

AIR MARSHAL SIR DONALD HALL, KCB, CBE, AFC, RAF, Deputy Chief of the Defence Staff (Systems), MR BILL REEVES, Assistant Under Secretary (Systems) and MR JOHN GULVIN, Director of Defence Equipment Collaboration, Ministry of Defence, called in and examined.

Chairman

2248. Mr Lamont, gentlemen, good morning. Welcome to this meeting of the Defence Committee. On current plans this is our final session of evidence in our inquiry into the defence implications of the future of Westland. Mr Lamont, your colleagues at the table with you are well known to us and they know the way we proceed. That is to say, we take as much of our evidence as possible in public; if at any time we ask you a question you wish to answer in private, just say so and we will leave it to the end. I would like to start by asking you one or two questions about your view of the importance of Westland plc. How important do you consider the firm to be to the defence industrial base? In other words, do you regard it as just someone from whom you buy your helicopters or as a design and manufacturing source for the future? How do you regard the company?

(Mr Lamont) We regard Westland as an indigenous

helicopter manufacturing company as very important for the defence needs of the country and it was for that reason that the Prime Minister used the words that she did when she said at the time of the problems of the company that it was the Government's objective to retain that capacity if at all possible.

2249. Thank you. I think you will remember Lord Aldington wrote a letter on 18th October 1984. Now, I would be interested to know what happened as a result of that letter. We know that the former Secretary of state told our sister committee, Trade and Industry, that in the latter part of 1984 he asked for a totally comprehensive survey of what the options were for the future of Westland and for the helicopter procurement of the Ministry of Defence. Can you tell us what was actually done as a result of all this?

(Mr Lamont) Well, of course, you are going back a very long time before I arrived in the Ministry of Defence. The letter was written in October 1984. As I understand it (and I have glanced at the letter, knowing the Committee were interested in it) it referred to the company's need for a partner, a United States partner; it sought clarification on the AST404; and it put out various warning signals about the W30-300, particularly in relation to the AST404. As a result of that letter, I understand that a paper was written in February 1985 - there were, of course, meetings with Lord Aldington - which outlined the alternatives of European collaboration and which emphasised the Italian collaboration that was then getting under way, and talked about the short term problems of the company. I did not myself actually see that paper.

2250. Yes. Am I right in thinking it was about that time that the decision was reached to join the NH90 project and also

to put Air Staff Target 404 on the shelf?

(Mr Lamont) Air Staff Target 404 was put into abeyance about March of 1985. The decision to join NH90 was taken when?

(Air Marshal Sir Donald Hall) I think the timescale was pretty similar.

(Mr Lamont) January or February.

(Mr Gulvin) Very shortly afterwards.

2251. How did those decisions fit into your projection of Westland's workload?

(Mr Lamont) Our current projections?

2252. Your then projections?

(Mr Lamont) As I understand it -- again I emphasise that I have not seen this paper and was not in the Ministry of Defence at the time - the paper did include some projections of helicopter sales both to the MOD and also as export sales, and that would have been included within it.

Chairman: I would like to come to a number of questions about the role of the helicopter and I think Dr Gilbert will start on that.

Dr Gilbert

2253. How many studies have the Ministry of Defence made, that is, formal studies, of the role of the helicopter in, shall we say, the last five years?

(Mr Lamont) As I understand it, there has been a very large number of studies -----

2254. A very large number?

(Mr Lamont) Yes. If I could just go on to list them, there were studies in 1980 and 1983 done by the Army. There have also been reports done by DOAE, some of which I think have

been made available to the Committee. There was also Project Foresight which was to do the future battlefield and, of course, there is the current study that is being done by the Defence Staff particularly in relation to the support helicopters. So perhaps "very large" is over-egging it, but there have been quite a number.

2255. Are you anywhere close to getting a consensus within MOD as to what future role you see helicopters fulfilling and how many you need to procure and what sort?

(Mr Lamont) No, very much the opposite, we wish this question to be clarified. Part of the lessons of the Sixth Air Mobile Brigade may be to throw some light on some of these questions. The newly formed Central Staffs system is, of course, extremely well-placed to judge the competing merits of different systems across the Services, and of course in the immediate area of the support helicopters we hope to have that very much clarified by the end of this year.

2256. Are you concerned about the fact that, as I understood your last reply, you are nowhere near getting a consensus as to the role, the numbers or the types? When do you expect the Ministry of Defence to have made their mind up about this?

(Mr Lamont) There is this very extensive survey which is being done at the moment by the Defence Staffs. We are hoping to have an interim view of this, particularly as regards the support helicopters, by July, but the actual study will be complete by the autumn of this year, and I would hope we would be able to take firm views by the end of this year.

2257. As I understand it, the DOAE studies which we have, and I must admit I cannot retain in my head everything they have studied in detail, were only comparing existing types of helicopters given the established role. They were not tasked to start thinking about possible changes in the roles that MOD has up to now allocated to the helicopter. Would that be fair?

(Mr Lamont) I think that is fair about the DOAE studies, but of course the Central Staffs are looking at it on a wider basis, not just the existing uses of helicopters and the balance between them but the balance between helicopters and other types of weapon systems as well.

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2258. When were the Central Staffs initially tasked to do this?

(Mr Lamont) I think that followed when AST 404 was set in abeyance, because as I understand it - and again one is going back long before I was there - arising out of the exercise Lionheart in 1985, as I know the Committee are well aware, questions were raised about the air mobility concept, about the role of helicopters and support helicopters. This then led first to studies by the Army about the role of helicopters and then I think it was some months later that it was decided that a more fundamental study should be done by the Staffs.

2259. Could Sir Donald help us, through you, as to when the Central Staffs were first given this task?

(Air Marshal Sir Donald Hall) I cannot help you as to the precise date. Late last year was the decision - whether my colleagues can help me or not remains to be seen. If I can expand slightly on this, I do not think there is enough about the roles for which we need helicopters, what we do need to be sure about is the precise terms we ascribe to the various roles and therefore the numbers and types of helicopters, the best use of helicopters, the most efficient and economic use of helicopters we need to set in train for those roles and hence our procurement policy.

2260. Might there not be circumstances in which current roles for helicopters might come into question, for example with the development of RPVs, remotely piloted vehicles?

(Air Marshal Sir Donald Hall) I have difficulty at the moment in extrapolating that thought into a particular role. In the Naval scenario, anti-submarine surface-to-surface ----

2261. I was thinking, when I put the question, more in terms of the battlefield scenario in Western Europe.



(Air Marshal Sir Donald Hall) Certainly in the context of the RPVs, one tends to look towards the surveillance role. We look at helicopters predominantly in a transport support role and to some extent for potential reconnaissance but not in any deep-ranging sense, and of course the anti-armour role.

2262. Could we look at the anti-armour role? Do you foresee a helicopter sustaining that role indefinitely or might it not be replaced with other systems?

(Air Marshal Sir Donald Hall) Indefinitely is a very long term. I see a viable role for the anti-armour helicopter sufficiently far ahead to warrant the investment we plan to make in that type, epitomised by A129 project, of which I think you are aware.

2263. I am in no sense challenging your evidence, but trying to get on the record whether or not the Ministry of Defence is actually looking at such fundamental questions as these and may well come to the view, and there is nothing wrong with that, that the present concepts are still valid. I am interested in whether or not you are in-house challenging those concepts and testing them right now. The whole of the helicopter procurement policy is in the melting pot.

(Air Marshal Sir Donald Hall) Of course we are challenging the roles, we continue to challenge all the roles for our defence equipment, as we have said before.

2264. I am not talking about a general thing but the job you are tasked to do in the Defence Staffs?

(Air Marshal Sir Donald Hall) We want to be sure we are going to employ helicopters in the whole battlefield scenario as efficiently as resources will allow.

2265. Are the Services content with the DOAE studies they have seen with respect to helicopters? It is not unknown for there to have been friction in the past between the Services and the DOAE, as a result

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of DOAE producing conclusions which were not palatable to the Services.

(Air Marshal Sir Donald Hall) I do not think there is any fundamental disagreement which I am aware of. In this case, as in every case, we shall be using a judicious blend of analysis and military judgment, because I do not think any scientist would claim that operation analysis gives you the total answer. There are no fundamental disagreements which I can report to this Committee from my knowledge today.

2266. From the expression on your face, Air Marshal, I can see there is a certain amount of unhappiness here and there. Both you and I know what the relationship between the DOAE and the Service Departments has been from time to time.

(Air Marshal Sir Donald Hall) I fully accept that there have been areas of disagreement between ourselves and the analysts.

2267. With respect to helicopters?

(Air Marshal Sir Donald Hall) I am not aware of disagreements with respect to helicopters; there have been some in other areas, of which you are probably aware. I can say, and I believe this will be borne out by any of my colleagues in the Ministry of Defence, that there is a better understanding now within the Ministry of Defence of the place of operation analysis and its relation to judgment, and we are working I believe more closely with West Byfleet than we have done in the past. I do have a rather more optimistic view of the future.

2268. Do you value highly the work of West Byfleet?

(Air Marshal Sir Donald Hall) Yes, I do.

Mr Thorne

2269. Mr Lamont, can you tell us what future plans there are for the 6th Air Mobile Brigade?

(Mr Lamont) Yes. As you know, the 6th Air Mobile Brigade was formed in 1983. It was always intended that it would exist only for a short period of time and it is going to go back to being a mechanised brigade, I think, in 1988, is that right?

(Air Marshal Sir Donald Hall) Yes, 1987-88.

(Mr Lamont) As a result of the experience of that, obviously there are certain lessons, certain policies that have to be thought about, particularly relating to the use of helicopters.

2270. Therefore, you do not see any permanent role for such a mobile brigade?

(Mr Lamont) I think there will be studies as to whether we do need a permanent brigade of that kind, but the present intention is that it should revert to being a mechanised brigade in 1988.

2271. When do you think those studies will be carried out?

(Air Marshal Sir Donald Hall) They are part and parcel of the broad-ranging study into the battlefield applications for helicopters which will be completed in the autumn of this year. A central part of that study is the concept of an air mobile brigade and, if the study shows that is a very useful cost-effective concept to go for, then it will be necessary to look at the means of providing that brigade, given that the Army's longterm reorganisation plot does envisage mechanising the current two battalions which comprise the 6th Air Mobile Brigade.

2272. Can an assurance be given that the future of the Air

Mobile Brigade will not depend upon the availability of helicopters, that the decision on whether or not an air mobile brigade is necessary will be taken independently?

(Mr Lamont) That is right, obviously.

2273. Therefore, you will not be tailoring it to what helicopters you have at your disposal at that time?

(Mr Lamont) No, it would be the other way round.

The whole concept and study of air mobility is designed to tell us what we might need rather than that the air mobile brigade as a concept should be strengthened or weakened by the helicopters we have. We would tailor our procurement policy to the concept.

2274. Presumably some thought has been given to what helicopters might be required if that were going to be part of the future combat force.

(Mr Lamont) Yes. This very much relates to the whole question of the support helicopters and whether we go for large support helicopters, medium support helicopters or for the balance between the two.

2275. But you are expecting to have some firm decision on this by the autumn of this year?

(Mr Lamont) We certainly expect to have a firm decision, and to make a decision on the support helicopters by the end of the year. The question of air mobility, I think, is in a longer timespan as Air Marshal Sir Donald Hall indicated.

2276. But if, in fact, the air mobile brigade is to be phased out in 1988 on present plans, that does not seem to me to leave a lot of time.

(Air Marshal Sir Donald Hall) I think we have got sufficient time. Can I just take it through in stages?  
If - and this is supposition - we decide that the concept of an

air mobile brigade is sufficiently worthwhile and we need to form one, we then have two to three years to decide how we are going to reorganise, find the manpower, and redeploy in order to provide the two battalions or whatever number is required to replace the existing 6th Air Mobile Brigade who by then have become mechanised. At the same time we will have to procure the helicopters to fit the notion of the brigade. So I would have thought the timescales are not too unsynchronised. Given the development and production timescales for new helicopters, if indeed new helicopters are required, I believe that the plot should come together and it should fit our current projections for replacement helicopters in the 1990s.

2277. But most certainly with that sort of timescale you are going to have to buy helicopters off the shelf because there is no way in which by the end of this decade we can have a helicopter purpose designed for what we would consider to be the requirements of the British solution to the problem as opposed to the type of solution proposed by some of our other allies?

(Mr Lamont) Yes, I think that is right.

2278. Therefore, we shall be forced to accept whatever is available between now and then?

(Mr Lamont) In the short term yes.

(Mr Reeves) If I could add a word, Chairman, the important resources aspect will also have to be put into consideration - the size of the potential bill for additional assets.

Chairman: We understand that.

Mr Douglas: We await the White Paper with interest.

Dr Gilbert

2279. In the course of the studies that are currently going

on, is thought being given to the possibility of changing the boundaries between the Royal Air Force and the Army that relate to ownership?

(Mr Lamont) I am aware that this is a question that has interested people. It has been raised in the defence debates, and the Service debates recently. I am also aware of Major Goodman's article.

Chairman

2280. I think he has been reduced to the rank of major; he is a major-general.

(Mr Lamont) That shows how I am not very aware of him, but I am aware of him for the purposes of your question. I think it is fair to say that the Services are well satisfied with the present division. The users are happy. But because these questions have been raised I have asked that, when we get our interim presentation in July on the work that is being done on the support helicopters, this whole question of the ownership should be raised. I think there are two aspects to it, as I see it. There is the command and control dimension of it and, of course, there are always command and control problems to be overcome in the forward battle area. I do not think the Services believe that the splitting of the ownership of helicopters creates command and control problems that are of a different nature from those that arise in battle anyway. There is the other question too -and I was looking at some of the evidence you took before. I know that you yourself referred to the RAF being unwilling to foot the bill for some Army helicopters except when there looked like being an underspend. I think there is the question of whether the split of ownership between the larger and smaller helicopters

does influence the procurement attitudes. Now, of course, having the Central Staffs now, one would hope that that new machinery would enable the more impartial and broader view of the different Service requirements to be taken. That would be the answer to the question and I do stress that the Services are happy at the moment. Nonetheless, because this issue has been raised, I have asked that by both myself and the Secretary of State, in our review of where we have got in July, there should be consideration of this question.

Dr Gilbert

2281. I am obliged to you for that. I am certainly very happy to accept your evidence on that point. Could I ask you whether or not there is any thought of procuring a genuine heavy lift helicopter? For us the Chinook is called a heavy lift; in point of fact it is only medium lift in the whole spectrum of helicopter capability. Have we any thought of going for anything with greater capability than the Chinook?

(Mr Lamont) Not at the moment.

2282. Not even in terms of procurement?

(Mr Lamont) No.

Mr Speed

2283. On this point, Minister, could I just ask whether in this review in regard to Army helicopters we are looking at what our allies do? I think I am correct in saying the armies of most of our allies tend to run army helicopters and their air forces run air force helicopters. Are we taking their experience into account as well?

(Mr Lamont) Yes, we are obviously going to take that into account. The situation is not, however, uniform.

I think it is right to say, as you have said, that a majority have ownership vested in the army, but there are some countries that have it split as we do.



2284. Perhaps we can switch the subject slightly. In 1980 there was a study of the possibility of developing a single helicopter both for anti-submarine warfare and a lot of support roles. Do you know why this was not considered possible then, or why it was not developed?

(Mr Lamont) Again a very long time before my time.

2285. But clearly you have influenced the thinking since then.

(Mr Lamont) As I understand it, there were three ways identified of meeting the replacement for the Sea King, there was a national WG34, there was the EH101 which was in effect the collaborative version of the WG34, and there was a third option which was known as option 4B. Now that was the only one which was judged capable of actually meeting the requirement on the joint basis that you are seeking after. As I understand it, the conclusion was that it would not be cost-effective to pursue a single solution for the two requirements, and of course some work had been done on the EH101, so that was why the decision was made. Could I just say that this is a matter that has concerned me since I arrived in the MOD last September, because one of the things that strikes anyone immediately is the extremely large cost of the EH101 and the development costs are huge. As you know, there is only a modest firm order for the Royal Navy, 50 helicopters, and 40 for the Italian Navy at the moment, and when one looks at these very large development costs one is bound to be struck by the fact that this looks like being, in development costs per helicopter, an extremely expensive option. Now I am, of course, extremely well aware of designing a requirement around a helicopter that exists, but having put this enormous amount of money into the EH101, I have very much emphasised to the Defence Staffs that I will want to see when we are considering the question of the support helicopters very, very full consideration and some weighting given to the EH101, because we have

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made a huge investment in that. I think this question you have raised of a dual role is one which might resurrect itself.

2286. The EH101 is extremely important both to Agusta and Westland as part of their on-going programme. On this particular point, the Royal Navy's requirements for a troop carrying helicopter for Royal Marines was adapted out of the anti-submarine warfare Sea King, so you had the Sea King Commando, and it seems from what you are saying there would be a similar development out of the original anti-submarine warfare helicopter EH101 to a troop-carrying helicopter along those lines?

(Mr Lamont) What I am talking about is a Staff helicopter for the Marines but also wider still.

2287. Precisely, so first of all there would be a requirement for a successor to the Sea King Commando, which would be a Royal Navy requirement, which would be the EH101 and its support version, and also an Army requirement as well?

(Mr Lamont) Yes. There are problems with that but the fact there is a utility version of the EH101 being developed I think means one has to look at this option seriously.

2288. This may be, perhaps, for the Air Marshal to comment, but are there significantly different requirements for an amphibious support helicopter as opposed to a continental support helicopter in this role?

(Air Marshal Sir Donald Hall) I do not believe there are, and part of this grand study which we keep returning to is going to examine precisely that: what are our requirements for the battlefield in the centre of Europe and what are our requirements for amphibious operations and are the two the same and can we bring them together if they are not already together. We are undertaking a very wide-ranging review and the hope would be to synchronize those requirements which

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would lead to synchronized procurement and if it happened to be within the shape and size and cost of the EH101 aircraft, that would be a prime candidate to meet the Royal Navy Marine requirements and indeed Army requirements for the centre region of Europe.

2289. At this stage there is no indication, is there, that there would be a known insuperable design problem as far as loading in battlefield conditions was concerned, as far as operating in Arctic warfare on the northern flank in a support role was concerned? No major re-design or maintenance problems that one can see at this stage? One is not trying to anticipate such, of course.

(Mr Lamont) There is the point I was making before, the fact there is a utility version might help but of course the current studies, when they conclude, will very much provide the answers to your question.

2290. If the path does go along the lines you outlined, we will be talking of many more than 40 helicopters for the two countries, we would be talking of significant numbers both for the Royal Marines and Army here, and there could be significant export possibilities for our Allies or indeed third countries?

(Mr Lamont) Yes, that is very much the thinking behind the interest that I have taken in this question. I think one is concerned with the state of the civilian helicopter market and that, of course, the EH101 may or may not be successful in the civilian export market. It is a very difficult climate at the moment but we, having got this four-way collaboration, having invested such huge sums of money, must I think do everything we can in our procurement policy which will make the export of the helicopter easier.

2291. Obviously the first operational EH101 is going to be the Naval anti-submarine warfare version?

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(Mr Lamont) That is right.

2292. Can you give us any more precise information as to when the Royal Navy should receive the first batch of these?

(Mr Lamont) Very early in the 1990s.

2293. Very, very early?

(Mr Lamont) The early 1990s.

Dr Gilbert

2294. Can you tell us anything about the cost?

(Mr Lamont) I have a figure in mind for the development cost, I think that is a figure we can give you but we have been careful not to say it in public, although I was itching to give it to you! I am told I can give it to you - I do not know why I could not give it in the House - it is £650 million.

2295. In development costs? Is that all?

(Mr Lamont) I see a former Financial Secretary has different standards from mine!

2296. Not at all, I am used to being horrified, that is all.

(Mr Lamont) It seems to me a lot for 50 helicopters.

2297. I seem to remember we were looking a programme cost in 1978 prices for the Sea King replacement of £1½ billion.

(Mr Lamont) Yes. That 650 million does not include production.

2298. I understand that but when you are doing that sort of run the production costs would not actually be all that much higher than the development costs.

(Mr Lamont) I think they will be well over 1 billion.

2299. Indeed, then the total programme cost at current prices is not all that much higher than what we were looking for at 1978 prices. I am pleasantly surprised. I see the Air Marshal is indicating he is.

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(Mr Lamont) He may have different standards from me too.

2300. Any Treasury Minister would be very happy to procure something in 1986 at a price he was offered in 1978.

(Mr Lamont) It depends if it was good value in the first place.

2301. Indeed. The question is to what extent are you buying a Woolworth's job rather than a Rolls Royce one, but we will come back to that. Have you actually got a formal new Air Staff target to replace the 404?

(Mr Lamont) No, because that was placed in abeyance in early 1985, and that is how it remains until these studies are complete.

2302. There is, is there not, the Air Staff Target 418?

(Mr Lamont) I am told that is what is called an early draft Staff Target.

2303. Can you tell us what it relates to?

(Air Marshal Sir Donald Hall) It relates to a future medium support helicopter and it was triggered by the initial Army conclusion based on the results of the air mobility exercise in Lionheart. At the moment that too is in abeyance because the judgment from the Defence Staff was that it was far better to take this very wide look at all helicopter applications before we started pursuing individual tracks.

So the initial thinking only has been done and it is just a very early first draft of a possible target. It may well be the first draft of an eventual target, but frankly it is not worth pursuing that detailed work further at this point until we have the whole concept agreed and understood.

2304. That is very helpful. Could you tell us then how many air staff targets are currently in existence with respect to helicopters?

(Air Marshal Sir Donald Hall) Currently in existence and running there will be the two for EH 101 and for the light attack helicopter which is 3971. It is the light attack helicopter, the anti-armour helicopter and, of course, there is the EH 101. They are extant targets on which we are working, on which we are conducting development in the case of the 101 and very soon, we hope, feasibility in the case of the 129.

2305. How many other staff targets have you now got at whatever stage it might be?

(Air Marshal Sir Donald Hall) There are no staff targets.

2306. Well, how many have you got of drafts of staff targets or whatever the language is?

(Air Marshal Sir Donald Hall) There remains the 404 in abeyance and there is the very early draft of the 418 for support helicopters.

2307. That is the totality of it?

(Air Marshal Sir Donald Hall) That is the totality.

Chairman

2308. Could you tell the Committee please what are the reasons for proceeding with the NH90 when current United Kingdom military thinking seems to require a larger helicopter?

(Mr Lamont) I am not sure that one could anticipate that one will necessarily go for the larger helicopter exclusively. It may be - and this, I imagine, is what is behind the thinking of the draft staff target - that we will still go for a mix between the medium support helicopter and the large support helicopter and that again will come out of the study this autumn. But there can be no presumption that we would go exclusively for a large support helicopter.

2309. It is quite possible that you will go for a mix, is it?

(Mr Lamont) Yes.

Mr Douglas

2310. I wonder if I could clear my own mind. If it is proposed to order the EH101, is there room in budgetary terms - you may not want to answer in public - for a follow-on for the NH90 or will that be squeezed out?

(Mr Lamont) The EH101 is firmly in the programme in its naval role, as I think Mr Heseltine pointed out when he came to the Committee. There was in last year's LTC no provision for support helicopters. Whether there would be provision for support helicopters into future ones is yet something to be decided, but obviously at some stage, in order to meet the support helicopter requirement, however it is supplied - whether with the EH101 or a mixture of that and a smaller one - provision at some stage will have to begin to appear.

Chairman

2311. Can you tell us your current plans in the battlefield helicopter class?

(Mr Lamont) Yes. At the moment we have a draft of

a MOU on the Al29. There is going to be a submission put to Ministers after it has gone through the Equipment Policy Committee within the next few weeks and then I think we will have to consider whether to take this project forward into a feasibility project definition stage that might last a couple of years. That is precisely where we are at the moment. As you know, the Al29 is a helicopter which the Italians have already produced and have already sold, both to their own army and to the Dutch. But we are at the stage where the Spanish and Dutch Governments are interested in coming into this project. So we having made the assessment and having a staff target that the Al29 would best meet our requirements, there is the possibility - I would put it stronger than that, a good possibility, perhaps a probability - of the collaboration being enlarged from the purely Anglo-Italian to a four-nation collaboration.

2312. I think I have seen a report somewhere that the Federal Republic of Germany is considering participating in this programme. Can you say anything about that?

(Mr Lamont) As I am sure you recall, Germany is looking with France at something called the PAH2 and in Mr Heseltine's - I call it Mr Heseltine's, the NADS, the National Armament Directors' - rationalisation of European helicopters the intention was to merge the PAH2 programme and the Al29 programme. That obviously is more difficult to achieve - I am not saying it is impossible. I have outlined how we intend to go ahead with the Al29 programme; that would still be eventually merged with the PAH2 although we do have an agreed joint staff target with the Italians and at the moment the thinkign of the German Armed Forces and the German Government is rather different form our own which is for a lighter



more mobile helicopter. So there are differences between the two. What the intentions of the German Government now are on the PAH2 I cannot of course say. I cannot speak for them. I know there have been some problems with that programme.

2313. What is the Ministry's view of the American LHX?

(Mr Lamont) Well, our intention is to develop the Al29, assuming that all goes well. The LHX I know relatively little about. I think they are intending to produce some 700 of them. Our requirement would obviously be a very small proportion of that. As I understand it from Mr Paul's evidence to you, which I studied, they are hopeful of pursuing and intending to pursue the Al29. I ought to make it clear that, of course, the Government do attach importance to European collaboration.

2314. You do not really see any role for the LHX with our forces?

(Mr Lamont) I think it is slightly unlikely.

2315. Two or three other matters have come up to which I would like your answers if you would be kind enough. Can you tell us when you expect to order the two further batches of Sea Kings for the Royal Navy?

(Mr Lamont) Are you referring to the 15? I am not sure which you mean by the two batches. Perhaps I could just outline what the position is. The current orders include 15 Sea Kings, one of which has been delivered; the rest will be delivered between 1986 and 1987. There is also the question of the additional Sea Kings which were dependent upon a rationalisation of a European basis of the battlefield helicopters. If the Al29 and PAH2 had been merged, savings from the development costs would have been available and then an option would have been there to place an order for additional Sea Kings.

There is the question of a possible further order of Sea Kings, which is built into our long-term programme as a possibility, because of course one of the problems which the company faces now is that there could be a gap between February 1988 and 1992, when we expect the first EH101 to be delivered. There is a possibility which we are looking at, and I cannot put it any higher than that, for 14 Sea Kings.

2316. I think that is what I was getting at. There are 15 on order and I have heard it said there is a possibility of five Commandos plus nine anti-submarine, and that is what we are speaking of now?

(Mr Lamont) Yes.

2317. The state of that is just a gleam in somebody's eye at the moment, is it?

(Mr Lamont) It is being considered. It is a gleam which is being examined.

2318. Can you give us any clue as to when you might come to a decision on that? I am not asking you what the decision will be but when you will come to one?

(Mr Lamont) I would have thought within the next couple of months.

2319. Can you tell us what progress is being made on the Lynx modification programme?

(Air Marshal Sir Donald Hall) I do not think I can answer in detail on this. You are talking of the Lynx Mark VII I think, or are you talking of modifications to in-service aircraft? Are you talking of modifications to in-service aircraft?

2320. I am. Is there not a programme?

(Air Marshal Sir Donald Hall) There is indeed. I regret I am not briefed to answer this question but it has not emerged as a particularly sore thumb, certainly to my knowledge, in Whitehall. If you would like an answer outside the meeting, we could provide it.

2321. If you could refresh your memory when you get back to the Ministry and if there is anything more to say on that point, perhaps you could let us know?

(Air Marshal Sir Donald Hall) Certainly.

2322. What about the sonics on the Naval Lynxes? There is work being done on that, is there not?

(Air Marshal Sir Donald Hall) I could give you an answer on those two points.

2323. I would be grateful. Can you tell us at what sort of level you expect spares and repair work for Westland to continue?

(Mr Lamont) Yes. The current spending on in-service support is over 60 million and I think in the next three or four years we expect a modest decline, a small decline, but it is not far short of that 60 million figure.

2324. What is the view taken now, today, by the Ministry of Defence of the success of the Sikorsky-Fiat rescue operation and the failure of the European consortium to be involved with Westland?

(Mr Lamont) I read Mr Paul's evidence to you with very considerable interest and of course it is our earnest hope that what he said will turn out to be a reality, and that the American company which seems to be intent upon playing perhaps a bigger role than you would expect a 30 per cent shareholder normally to do, in both marketing and production methods, will be able to help the company very considerably. The company has, and one has to say it, had some considerable difficulties, both in the civil market with the W30 and indeed with exports of its military collaborative helicopters, which it developed in collaboration with the French. I think it is disappointing that we exported so few compared to the French. I hope there is going to be some strengthening of the company as a result of the Sikorsky shareholding.

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It is very much the Government's hope also that the company, which is still a company in Europe - a European helicopter company - will continue with the collaborative ventures. Mr Paul indicated on the EH101 and A129 that they intended that that collaboration should continue. I think the conflict arises, if conflict there is, in the case of the smaller support helicopter, the NH90 versus the Black Hawk. We can go into that separately, if you like, but I make the point we hope that the company, still being in Europe, will pursue the collaborative ventures which we regard as being extremely important. We do want to see, and it still remains Government's policy to give every encouragement to, European collaboration.

Mr Douglas

2325. Do I take it from your remarks, Minister, that despite the thrust from your Ministry behind the alternative proposals, that your Ministry is now either accommodated or reconciled to the success of the Sikorsky-Fiat bid?

(Mr Lamont) We live with the world as it is, yes.

2326. How do you see that? You gave some replies to the effect of this success, if I can put it that way, on European defence co-operation in terms of projects. Would you like to expand on that answer? Do you think it will impede European defence co-operation or will it be in any way facilitated?

(Mr Lamont) I will answer as best I can. It is a European helicopter manufacturer, the Government will give it every assistance with collaborative projects and we attach, as the White Paper last year made clear, not just for helicopters but for defence equipment generally, importance to European collaboration. Therefore, we will want to encourage the company to pursue that. As I indicated, there is this immediate possible conflict where the NH90 obviously

LX

is a product that, if it comes into existence, will compete with the Black Hawk. That does not mean, of course, if eventually the Black Hawk were purchased by the Ministry of Defence - and I realise that is a big assumption and there is a lot of argument about that - that the NH90 will collapse. I want to make that clear. European collaboration can exist and does not always need to be across all the countries of Europe. What I very much hope, and what the Government very much hope, is that notwithstanding the 30 per cent shareholding, we will be able to marry that with quite a lot of collaborative ventures.

Mr Douglas

2327. I cannot point to the evidence just now of Sir John Cuckney, and I am speaking from memory, but one of the aspects which disturbed me in relation to the discussions of the National Armaments Directors and the proposals which emanated from that, was that there seemed to be little liaison between Westland, as it then was, and the Ministry in relation to these discussions.

Do you see a forming of relations between the MOD and Westland now so that the discussions in European terms that the Ministry might want to undertake about NATO helicopters are harmonised with the views of this important company?

(Mr Lamont) I think it has got to be proceeded with on that basis - the emphasis that has been given to collaboration (I know people always subscribe to collaboration) in the last few years and, for example, the re-activation of the IEPG, the International Equipment Policy Group, the European partners within NATO; that Mr Heseltine gave to this is something that happened in the recent past and it is becoming a reality now. If it is going to happen, there has obviously to be the closest possible relationship between the Ministry of Defence and the manufacturers. It is no use Mr Gulvin just being out in Madrid talking to other people from other European ministries of defence; we cannot just construct these things on pieces of paper.

2328. So there will be some thrust behind an endeavour in terms of the United Kingdom Government to harmonise NATO requirements for helicopters?

(Mr Lamont) There is a NATO policy obviously of harmonising requirements. What I am talking about is European collaboration within NATO.

Dr Gilbert

2329. Mr Lamont, you will, of course, be aware of the fairly vigorous testimony the last Secretary of State for Defence gave this Committee while he was still Secretary of State for Defence with respect to the desirability of the United Kingdom procuring Black Hawk, I take it?

(Mr Lamont) Of course.

2330. Are the views that were then expressed by Mr Heseltine shared by his successor as Secretary of state?

(Mr Lamont) What he said was that there was no requirement for the Black Hawk and that there was no money in the MOD programme for the Black Hawk. Of course, that is absolutely correct, that remains the position.

2331. It remains the position?

(Mr Lamont) Yes. If I could just elaborate, the position of the Black Hawk is no different from that of any other candidate for the role of support helicopter because, as I explained to the Committee earlier, there was in last year's LTC no provision for support helicopters and the staff target was in abeyance. As I have been trying to explain today, those matters we believe and hope are about to be resolved and, of course, at some point in the longterm programmes of the Ministry of Defence we will have to make provision for support helicopters.

2332. It is not just a question of the support helicopter. It is the size of the support helicopter the controversy revolves around, is it not?

(Mr Lamont) That is one of the areas, yes.

2333. Do you now envisage the possibility - I put it no more strongly than that - that the current Secretary of State for Defence will take a different view from that held by his predecessor with respect to the desirability of procuring Black Hawk?

(Mr Lamont) I think a lot will depend on two things. One is the study that we have been talking so much about, the Defence Staff study of the support helicopters. But there is also the outcome of the feasibility study of the NH90 which we

are due to get this autumn. Now, whether the Black Hawk will be a candidate for that role will depend upon precisely what the requirement comes out as, but also very much - this is the point Mr Paul himself was making, I think - the date at which that requirement has to come into effect. As I read Mr Paul's evidence to you, he was actually saying that, if the requirement for a support helicopter was in the early 1990s, Westland would be offering Black Hawk; if the NH90 was going to be later and if the requirement was later and it was a helicopter of a very different type of technology in advance of the Black Hawk, then perhaps the company would not offer the Black Hawk. So I do not mean to reply from the point of view of Westland but I think the outcome of the NH90 study as well as the more conceptual study we are doing will be what will influence our decision.



2334. I am sure that is perfectly accurate as far as it goes, but would you, or would you not, accept with the change in shareholdings in Westland, the fact Sikorsky-Fiat now have this very considerable stake, not quite 30 per cent, will play a role in ministerial considerations in these matters?

(Mr Lamont) We have been involved in this feasibility study on the NH90 and we will want to see what that produces and whether the NH90 potentially is a very much more advanced helicopter than anything which is on offer at the moment, including the Black Hawk. We will want also to take account of the date at which we need such a helicopter.

2335. Yes, indeed, and I am grateful to you for that answer but it was not actually answering my question. It was probably my fault for not putting the question clearly. What I asked was, whether or not ministerial views are likely to be affected by the change in the ownership of a substantial block of the equity of Westland?

(Mr Lamont) I was attempting to answer the question by indicating those two elements would be the main ones in our consideration.

2336. When you cited Mr Paul's evidence, you will have noted he said quite candidly to the Committee that he was not prepared to tolerate indefinitely the sorts of figures he saw coming out of Westland with respect to their overheads - he mentioned other things but particularly with respect to their overheads. Obviously we can all have fervent wishes that his efforts to improve the situation at Westlands - and identified management is one of the problems - will be successful. Does Her Majesty's Government have any contingent views in mind should Mr Paul come to the view which he admitted to in cross-examination might be an option open to me, the closing-down of the Westland operation?

(Mr Lamont) We have no contingency plans for that eventuality and I very much hope that it will not come to that, I must say. I

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imagine we would have to go through all the sorts of studies we did last time during the latest crisis in Westland, but we have no contingency plans if you intend it to mean a rescue operation; we would have to consider the situation as it arose.

2337. Obviously we are talking hypotheses, one understands that, indeed the Ministry of Defence exists to protect us against hypothetical situations, otherwise there would not be a Ministry of Defence. If the situation did not improve ----

(Mr Lamont) The possibility of one of our suppliers getting into financial trouble exists over a very wide range. The threat we meet is bad enough without having to consider industrial problems of that scale as well.

2338. Surely we do have to consider industrial problems of that scale very much, and that is why we rescue people like Rolls Royce from time to time?

(Mr Lamont) The Ministry of Defence, as I am sure you recall, Dr Gilbert, does not have a series of contingency plans for each of its suppliers getting into trouble.

2339. That is not the thrust of my question. Is the preservation of helicopter manufacturing capability now considered to be such a vital interest to this country that it will be necessary for it to be sustained, if necessary in the public sector, if the private sector cannot sustain it?

(Mr Lamont) As I said earlier, we do regard the maintenance of an indigenous manufacturer as important and, as the Prime Minister herself stated in the House, it is an objective to sustain that if at all possible.

Mr Speed

2340. Mr Lamont, we have now had this change of shareholding to a major extent. We have had in recent weeks the question of procurement come to the fore vis-a-vis AORs and whether they should come from one shipyard or another. We also had last year coming before this Committee the question of the ordering of a frigate which certainly in normal MOD competitive terms should have come from one yard but for social and other reasons again went to another. Are you satisfied that now there has been all this drama and trauma with the Westland affair, following on Dr Gilbert's recent questions, with the views going on which are centrally directed, that the Services could not find themselves in a situation in the future whereby for political reasons they might be forced to have a helicopter they did not actually want for operational reasons?

(Mr Lamont) We have to take account of the industrial implications of our procurement decisions and I hope that we do that on a day to day basis and I hope that we take a view of the health of our suppliers and, where we can, make decisions that are helpful to them when difficulties arise. But at the end of the day, the purpose of procurement decisions is to give the Armed Forces the equipment that they want in order to meet the threat as they and we perceive it. That has to be the top priority.

2341. Well, yes.

(Mr Lamont) I hope, therefore, that what you are postulating would not arise. It is certainly not my intention that it should arise and I do not envisage it.

2342. The answer should be, no, they ought to get, within the normal constraints of resources, what they require. If I could perhaps explain it a stage further, there could be

situations where it might be that the Black Hawk helicopter - and I am now coming back again to Dr Gilbert's question as to Mr Paul's evidence - was the only way to keep Westland going under the present management and under the present shareholding structure of the time. That is a particular scenario that could be present, though that might not be what the Services required or indeed would need - this has again been floated before this Committee before now as the sort of situation that concerns some people. You do not yourself see that as a danger?

(Mr Lamont) Not really, and the purchases for support helicopters are likely to be some years off. If the company's difficulties are now, those are problems which they face today; the support helicopter is some way away yet.

2343. Do you accept that occasionally political imperatives override the normal rules of competitive tendering that Mr Levene has been working for in the last year or so?

(Mr Lamont) It has been known to happen.

Dr Gilbert

2344. At a certain stage in the matters surrounding this whole furore I believe you said that you had considered offering your resignation, which was a delightfully candid thing for any minister to say. May I congratulate you on surviving such thoughts? Can I ask you this: when did you first start considering tendering your resignation?

(Mr Lamont) I do not think I really need to go into that. I know the Committee is the determinant of what you want to go into, but I only made that answer because I was asked the direct question by Sir Robin Day, had I ever considered it?

2345. With respect to this?

(Mr Lamont) Yes, and I think it would be inconceivable

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if, when the Secretary of State with whom I had been working closely and whom I very much admired resigned, I had not at least asked myself the question. But I dismissed it, having asked it.

2346.           Could you tell us, if you want to tell us, when you started thinking about resigning? Can you tell us how long you thought of resigning?

(Mr Lamont)   I am afraid my memory is not good enough.

2347.           You are not the first ministerial witness we have had in front of us with respect to this who has been subject to faulty memory, but never mind. Can you tell us this: what led you to consider tendering your resignation?

(Mr Lamont)   Well, all I have said and all I meant was that when Michael Heseltine resigned I simply considered my position. I worked for him, with him, and was identified perhaps with the policy he was pursuing; therefore it would have been amazing if I had not considered it, but it was not any lengthy agony, I can assure you.

2348. I am glad to hear that. Was your consideration of such a possibility related mainly to your sense of loyalty, which is perfectly understandable, to your Minister -----

(Mr Lamont) Yes.

2349. ----- or rather to questions of policy? We have just adduced questions of policy from what you just said.

(Mr Lamont) No, it was a question of loyalty and being associated with him.

2350. So you remove the reference to questions of policy? You said, because you were also closely associated with certain policies?

(Mr Lamont) I might be thought so, yes. I did not really think that it would have made much sense for me to have resigned.

2351. You have been - I will not say "uniquely placed" - very fortunate amongst ministers, having served in both the Department of Trade and Industry and the Ministry of Defence, and there have been a series of conflicts between the two Departments, not just with respect to Westland but with respect in the past to the purchase of frigates and, very recently if we are to believe what we read in the public press, with respect to the Swann Hunter and Harland and Woolf controversy, which is not yet settled. Can you help the Committee, because it has been stopping the process of decision-making with respect to defence and these are important elements in that? To what extent would you say these conflicts arise from genuine Departmental conflicts of interest or to what extent do they involve personality clashes, and no one can pretend the latter do not exist?

(Mr Lamont) They stem, if they exist, to a very considerable extent from different objectives. The Ministry of Defence, obviously, is extremely concerned to get value for money, the most output from its budget; the DTI is largely concerned with the wider

industrial implications. May I say that I, not just because I have been in the DTI but I would hope I would take this view anyway, do regard it as important that we should be aware of the industrial implications of the decisions that we are making, but I think the two administrative machines do have, perfectly naturally, different objectives. Not only are we in a position where I have come to the Ministry of Defence, having been in the DTI, but we also have the situation where the Minister of State for Information Technology at the DTI has come from the MOD. He and I are attempting to work closely together and to prevent some of the difficulties that have arisen again, and we have regular meetings and we try to anticipate some of these problems.

2352. Can you assure the Committee that the atmosphere between the two Departments is now improved, with the new Secretaries of State in position in the two Departments?

(Mr Lamont) I would say relationships were excellent.

Dr Gilbert: I am obliged.

Mr Douglas

2353. Just on the procurement roles: one of the problems, as I see it, is that the Ministry not only for helicopters but for other equipment, lays down and has laid down now fairly stringent procurement rules, and these are understood if not accepted by the defence equipment industry. One of the problems seems to be, and I do not want to press you on the AORs or take us outside the field, but it seems to me with the Department of Trade and Industry the rules seem to be bent or re-interpreted half way through the process. Do you have a view on that?

(Mr Lamont) I think it ought to be an objective of procurement policy, when you have competitive tendering, to make

absolutely sure that the rules are known to everybody in advance and are certain and unambiguous. I think that is an extremely important aspect of procurement.

Do you feel that this is being carried out right up to the present time, particularly with regard to the frigate and AOR orders?

(Mr Lamont) I think we are perhaps going wide of helicopters. Yes, I do.

Chairman

2354. Mr Lamont, I do not think I have any more questions to ask you in public, but I think we should go into private session in a moment because my recollection is that you said you might be able to give a little more information about the EH101 costs.

(Mr Lamont) I think I gave the only figure then. We can give more information, I am sure.

2355. I think there are a couple of questions Dr Gilbert would like to ask in private session. Before that, is there anything further you would like to say to the Committee in public?

(Mr Lamont) No, thank you.

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