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Secretary of State for Trade and Industry

CONFIDENTIAL

ce NO
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DEPARTMENT OF TRADE AND INDUSTRY

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19 January 1984

The Rt Hon Peter Rees QC MP
Chief Secretary
HM Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

D. Peter,

EH101 HELICOPTER PROJECT

There was correspondence last year between Patrick Jenkin and Leon Brittan about the level and terms of launch aid to be negotiated with Westland Helicopters Limited to assist that company to meet its share of the costs of the Anglo-Italian EH101 helicopter project, culminating in your agreement to an offer of no more than £60m coupled with a 2% real rate of return.

2 After protracted discussion (with which your officials have been kept in touch) Westland have accepted this offer of launch aid. The £60m (in cash) will be payable over six years beginning in the 1984/85 financial year. Repayment will be by levy on sales of aircraft and spares which is calculated to produce a 2% real return to HMG by about 2010 when aircraft sales (but not of course spares) are expected to finish. In cash terms we have calculated that this will produce a total repayment of £152.76m. The calculation is based on Westland's best sales estimates and on the basis of an annual rate of inflation of 4½%. We have moreover secured an agreement that the levy should continue on any aircraft sales after the recovery of the cash sum mentioned. This would of course serve to enhance the return to HMG.

3 A statement about launch aid for the project will be made in the House of Commons by means of an arranged PQ during the week of 23 January.

4 My officials and those of the MOD who will act for the Department in drawing up and administering the launch-aid contract have begun detailed contract negotiations with Westland and we hope that this will be signed towards the end of February in time to permit the Department to begin funding the project in 1984/85 financial year.



5 Launch aid in the first three years of the programme will, as agreed, be met from the Department's existing PES provision.

6 You should also know that Norman Lamont expects on 25 January to sign a confidential Memorandum of Understanding with the Italian Minister for Industry regarding the development of the civil version of the EH101 helicopter. This provides inter alia, the framework for support of the two industrial partners in the project - in our case Westland Helicopters Limited.

7 I am copying this letter to the Prime Minister, Geoffrey Howe, Michael Heseltine, Arthur Cockfield and Sir Robert Armstrong.

A handwritten signature in black ink, appearing to read 'Norman Lamont', with a stylized flourish above the name.

NORMAN TEBBIT

Defence : Budget A10 .

20 JAN 1984



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NBM AS
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Treasury Chambers, Parliament Street, SW1P 3AG

C McCarthy Esq
PS/Secretary of State
Department of Trade and Industry
1 Victoria Street
London SW1E 6RB

25 January 1984

Dear Sir

EH 101 HELICOPTER PROJECT

The Chief Secretary was grateful for your Secretary of State's letter of 19 January. He is pleased that agreement in principle on the launch aid offer has now been reached with the company and that the programme will be going ahead.

I am copying to Andrew Turnbull, Roger Bone, Richard Mottram, Alex Galloway and Richard Hatfield.

Yours sincerely

J. Gieve

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Defence : Defence Budget pt. 10.

26 JAN 1984

