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PRIME MINISTER

3 April 1985

INDIA: WESTLAND HELICOPTERS

It is possible that Rajiv Gandhi may deploy the argument that, even if the "technical difficulties" with the Westland aircraft are resolved, the Indian Government could not commit itself to an aircraft which the MoD may choose not to buy, from a company whose financial difficulties are widely reported in the British press.

He could make his own purchase conditional upon the MoD ordering a batch of W30 aircraft as a reassurance on the two points above.

It would be unwise, and unnecessary, to offer comfort along these lines. Westland are not in difficulties yet. They do need to take action to get a better grip on their stocks (around £140 million in support of a turnover of £300 million in 1984). If they need more equity, there are ways open to them to raise it. MoD should advise Westland to make some changes in their Board and to put in better financial controls. It would be wrong to solve their problems on the MoD Budget, by buying aircraft which the services don't really need.

The line to take with the Indians, if pressed on this point, is that MoD has declared its confidence in Westland by awarding the EH101 development.

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