



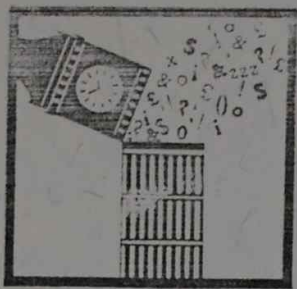
10 DOWNING STREET

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You should see the attached article from the current issue of the New Statesman which sets out a number of questions that can be expected to arise in the Commons this week.

BERNARD

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Tarzan auditions for the blockbuster — and fails

FEW SIGHTS are more delectable than members of the ruling classes knocking hell out of themselves in public. It should be made into a movie, with characters like Michael 'Do you wanna know a secret' Heseltine, Leon 'You dirty rat' Brittan, Margaret 'Michael, don't do that' Thatcher and Sir John 'I want to be alone' Cuckney. Perhaps we could persuade Sir Richard Attenborough to make *Chorus Line 2* — the saga of an unrelenting and finally unsuccessful struggle to persuade the stars to sing together in harmony.

Yet while much innocent (and some not-so-innocent) pleasure is to be gained from watching the battle for Westland unfold, serious issues are involved. Most of those issues concern the way the final decision is reached rather than the decision itself.

According to Thatcher and Brittan, it is wholly a matter for the board and shareholders of Westland to decide. This is a perfectly reasonable view for free market Tories to hold. Shareholders take the financial risks; it is only proper that they should reap whatever rewards are going; and if their company finds itself in trouble, they have every right to sell to the highest bidder. That is the way capitalism works: interfere with shareholders' rights and you distort the capital markets. Hence the determination of Thatcher and Brittan to leave it to Westland.

Let us, however, imagine that the battle had taken place in different circumstances.

Variant one. The bid came not from Sikorsky but from (let us call it) Moskorsky, an East European enterprise. Moskorsky offered oodles more money than anyone else and guaranteed masses more work for Westland's employees. Asked about the dangers of transferring British defence technology to the Warsaw Pact, Moskorsky's chairman replied that he was willing to sign a solemn and binding pledge that no such transfer would take place. 'Your secrets will be as safe with you as they have always been', he told reporters.

Variant two. The bid *was* from Sikorsky, but instead of all that mealy-mouthed stuff about keeping jobs and technology in Britain, Sikorsky's owners, United Technologies, said: 'Do you guys take us for fools or something? We don't intend making anything in Yeovil for a moment longer than we have to. Of course we want to transfer your technology to the US and we want access to European markets. You accuse us of wanting to dominate the world market? We regard that as a compliment. We're happy to buy off Westland's shareholders, but after that we'll do whatever we want. If Britain doesn't have a helicopter industry afterwards, that's your problem, not ours.'

Variant three. Westland's financial crisis did not occur until 1990. By then the British government had taken its privatisation programme a lot further and had, among other things, sold off the Ministry of Defence. When Westland hit its rocky patch, British Defence Industries plc used its small change to buy the company. Few people noticed Mrs Thatcher's brief comment that 'this is another example of how our free market principles are being applied in practice'.

THE POINT OF these fantasies (although variant two may not be so far wide of the mark) is to illustrate how feeble the argument is that the decision should be left to the

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market and Westland's shareholders. Clearly the government would intervene if Westland looked likely to fall into the hands of a potential enemy (variant one) or if the bidders made explicit their unconcern at Britain losing reliable access to a vital defence technology (variant two). And there is something odd about a dominant customer in the public sector being told to keep out, whereas nobody would raise an eyebrow if the same customer were in private ownership and stepped in smartly (variant three).

In practice, then, there are limits to the extent to which even the Prime Minister would apply free market principles. And she cannot evade this point by saying that the shareholders themselves would decide against the sale in the case of variants one and two: if there were the remotest chance of any company's shareholders acting against the government's clear conception of the national interest, the government — *any* government, including Mrs Thatcher's — would intervene.

It follows that Thatcher and Brittan feel either that no significant issue of national interest is at stake over the battle for Westland, or that the fate of Britain's only helicopter manufacturer does raise questions of the national interest but, as it happens, Sikorsky does not threaten those interests. Yet neither the Prime Minister nor the Trade Secretary has been required to state which of these is their view, nor what principles should determine behaviour when conflicts occur between free market forces and the national interest.

Heseltine appears to have taken a clearer and more robust view: where the two conflict, national interests should determine the outcome. He would have no trouble with the three variants above, because he is not too

bothered about shareholders' rights where defence procurement is concerned.

Yet on closer examination, Heseltine's position is no more consistent than his opponents. When Westland first foresaw trouble last summer and approached him for help, Heseltine told them to get lost: it was not the Defence Ministry's job to bail out incompetent companies that made products that could not sell.

Two interpretations are possible of Heseltine's stand at that time. The first is that he did not think through the consequences of what he told Westland; the second is that he did, but subsequently changed his mind. Whichever explanation is the true one, it reflects little credit on the Defence Secretary.

Nor has Heseltine provided at any time a coherent view of what national interests are involved in the Westland battle or how, in principle, such interests should be reconciled with those of the shareholders. Heseltine has the support of all sorts of people who believe that Britain's conventional defence capabilities should involve co-operation with Western Europe rather than the United States; but, even if he has stumbled on the right decision, there are few signs that it is for the right reasons.

Of all the comments over the past months, probably the most pertinent came in the form of three questions in a letter to *The Times* last week:

1. Do we want to preserve a helicopter technology in Britain?
2. Since a purely national solution appears to be beyond our means, which of the rival proposals — American or European — will better enable Westland to meet our operational requirements now and in the future?
3. Where does the balance of advantage lie in encouraging European defence procurement and gaining access to American technology?

Those questions were posed by Julian Amery, one of the most right-wing of all Conservative back-benchers. He was surely right to ask them. It would be comforting to think that Heseltine and Thatcher could answer them, and even more comforting to think that the two people would give the same answers. Instead, all we can expect are contradictory evasions.

This week, Heseltine has been denying that his actions have been designed to win him the Tory leadership when Mrs Thatcher goes — which is just as well as he has displayed little of the finesse, loyalty or tactical skill that a successful party leader needs. If I were an MP looking for someone with those qualities to succeed Thatcher, the conclusion to draw from the Westland saga would be clear: draft Sir John Cuckney. □