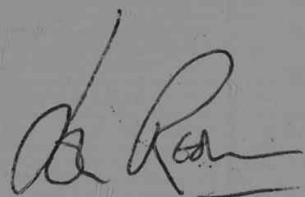


PRIME MINISTER

24 January 1986

This may be helpful for the speech on Monday if it is an accurate account of events leading up to the inquiry.

A handwritten signature in dark ink, appearing to read 'J Redwood', with a horizontal line underneath the name.

JOHN REDWOOD

On 6 January, my Rt Hon Friend, the Secretary of State for Trade and Industry, was contacted by his officials seeking authority to release the Solicitor-General's letter. As its content was relevant to the board and shareholders of Westlands, he told them he would agree to its release if this had the approval of 10 Downing Street.

Accordingly, a DTI official (rank and time) contacted my office (rank of personal contact) and asked about the release of the Solicitor-General's letter. My office did not consult me, although I was present in the building, because they did not believe they were being asked to authorise release. My office thought they were discussing ways of release, and were under the impression that authorisation had already been given within the DTI. My Press Secretary said he would not himself release the letter. The DTI believed that No 10 had authorised release and so the conditions set by my Rt Hon Friend the Secretary of State had been met. All those consulted on this matter agree that both parties to the conversation thought the other had authorised it.

When I heard that there were suggestions (date) that my office knew something about the release of information from the Solicitor-General's letter, I thought the only proper course was to set up an independent inquiry into these events. I did not know at that stage that my Rt Hon Friend the Secretary of State was thought to have approved the release.

Once the inquiry was under way, the only correct course was to allow it to complete its work. It would have been quite improper to report on any rumour during the period of investigation.

The inquiry reported on 22 January, and for the first time I was in full possession of the facts. I gave a complete and accurate account of its findings to this House at the first available opportunity.

MR. WICKS ✓

MR. FLESHER

MR. INGHAM

SIR ROBERT ARMSTRONG

DISCLOSURE OF THE SOLICITOR-GENERAL'S LETTER

I attach a list of the main questions which arose in the House yesterday, to which the Prime Minister will need to provide replies in her speech in the debate on Monday. We should need the help of the Department of Trade and Industry with questions 13 and 14 in particular.

CDP

24 January, 1986.

JD3AIB

QUESTIONS TO BE ANSWERED

1. Why was the Prime Minister not consulted before her office agreed to disclosure of the Solicitor-General's letter?
2. Where was the Prime Minister on that day and what was she doing?
3. When was the Prime Minister informed of the leak?
4. When was the Prime Minister informed of her office's involvement?
5. Why did the Prime Minister not inform the House as soon as she knew of her office's involvement?
6. Will she tell the House the exact extent of her office's involvement?
7. Will she release the report of the Enquiry?
8. Why did the Trade and Industry Secretary not tell the House last week that he had authorised the disclosure?
9. Why was an enquiry held when everyone knew what had happened anyway?
10. Why was an attempt made through a leak to subvert another member of the Government?
11. Why was the Solicitor-General not told of the intention to make public the fact of his letter and its conclusions?
12. Why did the Government not make a statement instead?
13. Why was more urgent action not taken to correct the inaccuracies in the Defence Secretary's letter, which was issued on 3 January?

14. Why has the Government not offered any correction or amendment to Mr. Heseltine's letter?

15. Why does the Government not publish the text of Mr. Heseltine's reply to the Solicitor-General?

JD3AIC

MR. WICKS

I am thinking about the danger that certain questions might still be left unanswered after Monday's debate. We must avoid that if at all possible - it will only prolong the agony. So here are the questions which I think the rough Saturday draft still leaves unanswered and which MPs and the press could latch on to.

i) Did the Prime Minister's office tell her at any stage before 22 January who they thought had authorised the disclosure; and if not, what precisely did they tell her on 7 January?

ii) Does the report of the inquiry make clear whether the Prime Minister's office knew that the DTI intended to make the disclosure by a partial leak to PA; and if they did, why did they not either seek the Prime Minister's authority for that means of disclosure or counsel their own professional advice against; and if they did neither, were they not giving tacit approval to something which the Prime Minister has since said was wrong.

iii) Did the Prime Minister at any stage before the disclosure express a view to her officials or to DTI about whether the contents of the Solicitor General's letter should be made public?

iv) Did the Secretary of State for Trade and Industry at any stage report to the Prime Minister his role in the disclosure of the letter; if so, when?

S.S.

Stephen Sherbourne

24 January 1986

BM2ACM

WESTLANDS

file

Mr Wiggins

as at 24 January 1986

Questions

1. When were you told of the part played by your office in discussions about the disclosure?
2. When did you know that your office had approved the leak?
3. Why did your office not report to you on their discussions with DTI officials about the leak?

Answer

The fact is, I think, that the conversations between my office and DTI officials that Monday lunchtime were in one respect at cross purposes, and my office did not think that there was anything significant that they needed to report to me. It seems to have been accepted by both sides that there was something that needed to be made public very quickly. My people understood that the Secretary of State had given authority for putting it out. What does not seem to have emerged clearly in the conversations was that that authority was conditional upon the agreement of my office. If somebody had said to them: "My Secretary of State is content to go ahead and give authority, if the Prime Minister agrees", they would have asked me: they would have had no difficulty in doing so, as I was in 10 Downing Street at the time. But what they thought they were being told was something more like: "You know this letter of the Solicitor General's; our Secretary of State thinks it should go out, and quickly, and has given us authority for that. Are you going to do it? We would prefer it if you did.". And my people said something like: "We shall not be putting it out. But if you have your Secretary of State's authority to do so, that's up to you: that's OK so far as we're concerned."

I don't think these were the actual words, but I suspect that that is the sort of way it went.

In other words, I think my people thought they were registering - and accepting - something which the Secretary of State wanted done and was prepared if necessary for his people to do, making it clear that it was not going to be done from 10 Downing Street; they did not understand that they were being asked to give or withhold agreement on which the Secretary of State's authority for what was proposed was conditioned.

The DTI officials, on the other hand, thought that they were being given the agreement from my office that they were under instructions to seek, and that the condition subject to which their Secretary of State's agreement was given had been met.

Of course I knew that the disclosure had happened; and, to tell the truth, was not sorry to see the subject of the disclosure become public knowledge, given the need to make sure that Government statements were not misleading. But it never occurred to me to ask my people whether they had a hand in it, and they evidently did not think that they had anything which they needed to report or account for to me. It was not until the formal process of the inquiry produced accounts of the conversations from the different Departments that the extent or importance of the cross-purposes emerged.

On 9 January Cabinet confirmed the identical policy and once again the policy was agreed unanimously. It was vital from that day forward that we should give strict practical effect to the policy, as the crucial time for the company's decision was approaching. ^{This} ~~It~~ was not a technicality. It was ~~crucial~~ ^{absolutely essential} for the effective discharge of collective responsibility. The whole of the rest of the Cabinet agreed the procedure we should adopt with the sole exception of my RHF the member for Henley. His view was ~~one which we judged~~ incompatible with collective responsibility. To have conceded the point for him alone ^{should be getting hammered} would have been a breakdown of constitutional government.

1. The way the reconstruction has been handled over a period of months.

The first recorded substantive disagreement by Heseltine on the way government policy was being handled on this matter did not arise until the end of November.

2. Made clear throughout that the helicopter capability provided by Westlands was essential in some form to our defence needs.

Effectively, at no stage has Heseltine made such a statement, save perhaps during December, and certainly despite the matter being raised by DTI at least twice earlier in the year, Heseltine did not take the opportunities provided to make such a point.

3. As soon as this agreement (NADs) had been reached, I personally gave a copy to Sir John Cuckney.

This only underlines that Heseltine did not see fit to discuss either with Westlands or indeed his colleagues the NADs agreement that he was developing.

4. Discussions took place only in the context of [NADs] rather than the wider dimension of the Government's approach to the ownership of a major defence capability.

Such an issue has never been raised by Heseltine, although it had been by other Ministers, and as the only firm offer at that time was Sikorsky's and the alternative Receivership, it is interesting to know what Heseltine's view would have been about US ownership then.

5. Having lost three times there was no question of risking a fourth discussion.

This is somewhat at variance with her succeeding in pushing forward her own view and of course it is also at odds with the actual conclusions of those first three meetings.

6. The meeting on 9 December represents the only occasion on which there was a collective discussion of the issues involved.

Did Cabinet not discuss the issues as well as their public handling?

7. Westland rejected after the briefest discussion the proposals put forward by the consortium.

This was because they only arrived half an hour before Westlands had to take a firm decision as to which offer they were going to offer to recommend to their shareowners.

8. It was laid down that it was the policy of the Government for Westlands to decide what was best and that no Minister was entitled to lobby in favour of one proposal rather than another.

My recollection is that the minutes say that this was unanimously agreed. Yet manifestly Heseltine broke his word on this.

9. A reply which all concerned could live with was eventually hammered out and I subsequently amplified those parts of the reply that sought to hide the reality of Westlands position.

On his own record this is double-dealing.

10. I refused to abandon or qualify in any way assurances I have given.

Heseltine was not being asked to abandon or qualify anything that he said, he was merely being asked not to say anything further and to stay mum whilst the Westlands shareholders made their decision.

WESTLANDS: SUPPLEMENTARIES

MEETINGS

Why did the Prime Minister cancel the meeting on 13 December?

No meeting was arranged for 13 December. Although the possibility of a further meeting was mentioned at one stage during our discussion on 9 December it was not taken up in the conclusions. Indeed the conclusions - that unless a viable European package which the Westland Board could recommend to its shareholders emerged by 4 p.m. on Friday 13 December, the Government would not be bound by the NADs' recommendation - made such a meeting unnecessary.

Why did the Cabinet Office ring round to fix a meeting?

I am informed by the Cabinet Secretary that the Committees Section rang round to establish the availability of Ministers in case any further meeting that week might be necessary. I understand that this is common practice.

Why no minutes of Cabinet on 12 December?

I understand that a minute was drafted in the normal way but, due to an oversight, not circulated until about a week after the meeting.

EUROPEAN OPTION

If Ministers expressed a preference for the European option in October, why do they not continue to do so?

There was no collective decision of Ministers to express a preference for a European option, or indeed for any option. Certainly we were keen to see a European option emerge, and

indeed worked hard to ensure that it did.

Isn't this an important enough issue for the Government to take a view?

We were content that both sets of proposals were consistent with the national interest in maintaining a design development and manufacturing capability for helicopters in the UK. This being so, it would have been wrong for the Government to express a preference between them.

EL3AUQ

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WESTLAND

The Problem

As a relatively small aerospace company, Westland has always been particularly subject to the uncertainties characteristic of the industry. But in the autumn of 1984 it became clear to DTI, during regular review meetings, that Westland were facing more than usually difficult prospects. The burden on the company of financing W30 was growing while at the same time:

(i) there were delays on the prospective Indian order for 21 W30s.

(ii) There was some uncertainty about the MOD's procurement plans.

The management of Westland appeared unable to take the necessary remedial action in face of these problems.

Ministry of Defence Orders

The Ministry of Defence spends about £60M with Westlands each year on spares and support for the existing fleet of about 700 helicopters.

It also has orders placed and in prospect for delivery as follows:

	<u>1986/87</u>	<u>1987/88</u>	<u>1988/89</u>	<u>1989/90</u>
<u>Orders already placed</u>				
Lynx	7	11	-	-
Sea King	12	2	-	-
<u>Orders likely to be placed</u>				
Sea King	2	7	5	-
<u>Order to be placed if 5 Nation battlefield helicopter proceeds</u>	-	-	-	6

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The Anglo/Italian EH101 programme is also under development. Current plans provide for the development and production of 50 EH101s for the Royal Navy and about 36 for Italy, though further orders are likely to be placed in due course.

A Feasibility study has been commissioned with Westland for the UK interest in the NH90 helicopter and a similar study is planned for the Anglo/Italian A129 Mark II battlefield helicopter. (This is the helicopter that would be superseded by the proposed 4 nation battlefield helicopter - see section on European collaboration below.)

The MOD will in due course require a replacement for Wessex and Puma helicopters in the support role. An Air Staff Target (AST 404) was prepared and, as part of normal procedure, was made available to industry. The candidates to meet it were Westlands W30-404, the French Super Puma Mark II, (both hypothetical designs based on existing aircraft) and the Sikorsky Black Hawk to be made by Shorts in Northern Ireland.

However, in March 1985 the Minister (DP) announced (in a PQ on 26 March 1985) that the Staff Target was in abeyance as the need for a helicopter of this kind was being reviewed in the light of experience in Exercise Lionheart. This has been repeated several times.

At the end of 1985, in the context of the Westland debate, Mr Heseltine said several times that the MOD would not replace the Wessex and Puma fleet until the 1990s, when the NH90 would become available. Meanwhile it had no money or requirement for the Black Hawk.

Indian Order

In 1984 Westland received a letter of intent from the Indians for purchase of 21 W30-160s for the Oil and Natural Gas Corporation.

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The Government agreed that this purchase could be financed from the aid programme, and £65M has been allocated. Westland started to manufacture the aircraft.

However, there were substantial delays which appeared at least in part to be associated with anti-British feeling in India following Mrs Gandhi's assassination.

Mr Gandhi visited UK on 15/16 October and as a result of discussions with him Ministers judged that the prospects of an order were good.

Mr Pattie visited India from 7-16 November and received further encouraging indications from Indian Ministers. On 24th December the Indian Minister of Civil Aviation announced that a decision had been taken to place an order with Westland. Contract discussions are now going on.

Contacts between the Government and Westland

The DTI became aware during autumn 1984 that Westland faced a potentially difficult situation. The position was reviewed with Westland. DTI Ministers informed MOD Ministers that Westland was 'giving us real cause for concern' on 20 November 1984. Mr Heseltine held a meeting with Westland on 27 November 1984. Consultation continued between DTI and MOD and with Westland.

The Secretary of State for Trade and Industry reviewed the situation at an internal meeting within DTI on 7 January 1985. The DTI continued to keep in close touch with Westland.

In early February stories appeared in the Press suggesting the MOD was preparing to 'rescue' Westland. The MOD issued a statement on 4 February 1985 stating that it was considering its requirements but no decisions to place orders had yet been made.

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On 14 February Mr Alan Bristow informed the DTI he was considering putting together a consortium to attempt to gain control of Westland.

On 21 February MOD Ministers announced that the UK would participate in the feasibility study of the NH90 project.

MOD and DTI Ministers met on 25 March to review the position. It was agreed that officials of both Departments would jointly consider whether the Government could do anything to help Westland.

Both MOD and DTI Ministers continued to review the position regularly with Westland.

On 3 April it was suggested in the Press that the MOD had 'serious reservations' about the Westland 30 as a potential replacement for Puma and Wessex.

On 29 April Bristow Rotorcraft announced an offer for Westland. The Secretary of State for Defence minuted the Prime Minister on 30 April. The Secretary of State for Trade and Industry minuted the Prime Minister on 16 May.

On 18 June the Secretary of State for Trade and Industry wrote to the then Chairman of Westland setting out the Government's position in relation to the possible takeover of Westland by Bristow Rotorcraft.

The Prime Minister held a meeting with other Ministers on 19 June to review the position.

On 20 June Bristow Rotorcraft withdrew its bid.

Sir Basil Blackwell resigned as Chairman of Westland on 26 June and Sir John Cuckney was appointed.

On 26 June United Technologies informed MOD Ministers that they were interested in acquiring an equity stake in Westland.

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Sir John Cuckney met Sir Clive Whitmore on 2 July and was given information on the MOD's procurement plans. Sir John met Sir Brian Hayes on 4 July, MOD Ministers on 8 July, and DTI Ministers on 8 August.

Rescue Proposals

The Westland Board, before Sir John Cuckney's appointment, asked Price Waterhouse to undertake a factual review of their financial position. Subsequently Lazards were appointed as Westland's financial advisers in place of Schrodgers. The Price Waterhouse report, together with Lazards' proposals for a rescue package, were made available to the Government on 18 September 1985. As part of the Lazards' proposals Westland requested Government underwriting of sales of 45 W30-160s as part of a rescue package, comprising also:

- (i) the injection of new capital into Westland by means of a rights issue and bringing in a new minority shareholder;
- (ii) conversion of bank debt into equity.

Westland informed the DTI that, in relation to (i) above, they were having discussions with a number of companies, and that those with Sikorsky seemed the most promising. They were also in touch with Aerospatiale, MBB and Agusta. They had approached BAe and received a negative response.

The Government informed Westland on 17 October that it considered the prospects of the Indian order were good and that it saw no immediate necessity for underwriting. Westland were also encouraged to pursue discussions with European companies as a possible alternative to Sikorsky.

European Co-operation

At the request of the Defence Ministers of the UK, France, Germany and Italy, the National Armament Directors of the four countries met on 29 November. They noted the substantial history of European collaboration in helicopters, in particular

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the signature in 1978 of a Declaration of Principles expressing the intention to work together to produce new helicopters. They recommended to Ministers that:

- the needs of their forces for three classes of helicopters (13 tonne; 8-9 tonne; and battlefield) should be met in future solely by helicopters designed and produced in Europe;
- the existing collaborative projects for 13 tonne (the EH101) and 8-9 tonne (NH90) helicopters should go ahead;
- a joint battlefield helicopters programme should be commissioned now (in place of two separate projects - Anglo/Italian and Franco/German) and that operational requirements and procurement arrangements should be harmonised forthwith.

The Defence Ministers of France, Germany and Italy told Mr Heseltine that they would accept these recommendations.

Following further discussions, the four Defence Ministers provisionally agreed a note on existing European helicopter co-operation in the 13 tonne and 8-9 tonne class and a resolution on a collaborative battlefield helicopter programme (to which the Netherlands was also party). The basis of the provisional agreement was described as follows in Mr Heseltine's letter of 13th December to Sir John Cuckney:

'If the proposals put forward by the European companies are accepted by the shareholders of Westland plc, the document in its present form will be formally approved and signed by the four Ministers. Also enclosed is a resolution between the Defence Ministers of these countries and the Netherlands concerning a collaborative European battlefield helicopter; the status of this document is the same as the one mentioned above.

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'I should like to make two points. First, as far as the United Kingdom is concerned, the approval of plans for a four nation battlefield helicopter will release funds previously earmarked for the development of a two nation project. This will enable us to place an order for 6 extra Sea King helicopters beyond the present and intended orders. The orders will be placed so that the helicopters expected delivery date will be early 1990.

'Second, I draw your attention to paragraph 10 of the note, which says that requirements for helicopters in three classes - which includes helicopters in the 8-9 tonne class - will be covered solely in the future by helicopters designed and built in Europe.'

Because of the urgent need for a financial reconstruction of Westland to be set in place, the Government decided that from 13 December they would not be bound by the national armaments directors' (NADs) recommendation unless Westland had by then received a firm offer from the European companies, which the board would recommend to its shareholders. The view of the board of Westland was that the European offer which was received on 13 December was neither firm nor attractive enough for the board to be able to recommend it to its shareholders. Accordingly the Secretary of State for Trade and Industry made clear in his statement of 16 December to the House of Commons that the Government were not bound by the NADs' recommendation.* The Government's approach to Westland's future participation in European collaborative helicopter projects was made clear in the Prime Minister's letter of 1 January 1986 to Sir John Cuckney: that the Government would wish to see the company play a full part in

*Although this has never been stated in explicit terms, the Government decision not to endorse the NAD's recommendation applies equally to the provisional agreement among European Defence Ministers to which Mr Heseltine was a party during the week of 9 December.

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existing and future European collaborative projects whichever of the two financial reconstruction proposals were accepted, and that they would resist to the best of their ability attempts by others to discriminate against Westland in this context.

The Proposals

On 13 December the Westland Board announced they had reached agreement in principle with UT/Fiat, after considering proposals made to them by UT/Fiat and by the European consortium.

On 20 December the European consortium put revised proposals to the Westland Board.

On 21 December Westland put proposals to their shareholders to effect a capital reconstruction involving UT/Fiat. An EGM was called for 14 January.

On 27 December the European consortium put further revised proposals to the Westland Board.

On 31 December the European consortium put consolidated proposals to the Westland Board.

on 2 January Westland sent to shareholders a copy of these consolidated proposals.

On 6 January Westland sent to shareholders improved proposals from UT/Fiat and recommended shareholders to accept them.

On 7 January the European consortium announced revised proposals. On 8 January the Board of Westland announced that it still strongly and unanimously recommended shareholders to accept the UT/Fiat proposals.

On 8 January the European consortium circulated their proposals to shareholders.

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Government Statements

- (i) Mr Heseltine's letter of 13 December to Sir John Cuckney, which was overtaken by
- (ii) the Secretary of State for Trade and Industry's statement of 16 December.
- (iii) Prime Minister's Questions 17 and 19 December.
- (iv) Mr Marsh's (MOD) letters of 24 December, which were overtaken by
- (v) Prime Minister's letter to Sir John Cuckney of 1 January.
- (vi) Mr Heseltine's letter to Lloyds Merchant Bank of 3 January.
- (vii) Mr Heseltine's letter to Lloyds Merchant Bank of 6 January.
- (viii) Secretary of State for Trade and Industry's statement of 6 January.
- (ix) Secretary of State for Trade and Industry's statement of 13 January.
- (x) Letters to Sir John Cuckney of 13 January from Sir Brian Hayes and Sir Clive Whitmore.

WESTLANDS

General Line

The Westlands shareholders meeting takes place on Friday. I very much hope that Westlands will soon reach a solution which will provide them with a sound basis for the future.

Style of Government

All decisions on the Government's policy on Westlands were taken collectively. There were Ministerial meetings on 18 June, 19 June, 16 October, 4 December, 5 December, 9 December, 12 December, 19 December and 9 January. What my rt hon Friend the Member for Henley objected to was not the over-riding of collective responsibility but its application in his case.

PM's handling a "constitutional outrage"?

As Mr Hugo Young in the Guardian pointed out this morning - and I quote - "I can think of a few constitutional outrages ... but never could a cancelled meeting qualify for that description." And in any event, there never was a meeting to be cancelled.

Overriding Cabinet government?

The policy which I reaffirmed in the House on 19 December, that the future of Westlands is a matter for the company itself to decide was given unanimous - I stress, unanimous - approval by the Cabinet that very morning.

PM/Mr Brittan supporting Sikorsky/Fiat

Not at all. It was my rt hon and learned Friend the Secretary of State for Trade and Industry who took the first initiative to stimulate a European option for Westland. My rt hon Friend the Member for Henley had the support and encouragement of the whole Government to develop such an option. We took a collective decision that the Westland Board should, if possible, have a choice and we took a collective decision that they should be free to make that choice.

Removal of recommendation of NADs closed European option

Not at all. To endorse the recommendation would have closed any but the European option.

Failure to indicate a preference shows indifference?

The sorry record of the last Labour government demonstrates clearly the failure of interventionist policies. Indeed it was my rt hon Friend the Member for Henley who was most active in pursuing a market solution to Westland's problems.

Mr. Stern asked the Prime Minister if she will list her official engagements for Tuesday 21 January.

Mr. Peter Bruinvels asked the Prime Minister if she will list her official engagements for Tuesday 21 January.

Mr. Parry asked the Prime Minister if she will list her official engagements for Tuesday 21 January.

The Prime Minister: This morning I had meetings with ministerial colleagues and others. In addition to my appearances in this House I shall be having further meetings later in the day.

Falkland Islands

Mr. Dalyell asked the Prime Minister what response she has made to President Alfonsin's proposals on the future of the Falklands.

The Prime Minister: President Alfonsin has made no proposals to me. He has suggested publicly that the United Kingdom must vacate the islands. The answer to that is no. In my right hon. and learned Friend the Secretary of State for Foreign and Commonwealth Affairs explained to the House on 18 December, we shall continue to encourage the Argentine Government to match our efforts to improve relations between us.

Plain English Unit

Mr. Norris asked the Prime Minister if she will indicate the Government's intentions with regard to the work of the plain English unit of the Management and Personnel Office; and if she will make a statement as to an appraisal of the work of the unit.

The Prime Minister: I have asked the Management and Personnel Office to continue with the work of the central forms unit and to report again in 1987 on departments' efforts to improve Government forms. Since 1982 Departments have abolished some 15,700 forms altogether and redesigned a further 21,300. Last year alone 11,000 forms were reviewed. The central forms unit has played an important role in this achievement.

Bradford City Football Club

Mr. Madden asked the Prime Minister when Her Majesty's Government intend to provide the financial assistance for the rebuilding of Bradford city football club's ground which was promised at the time of the fire; and if she will make a statement.

The Prime Minister: The Government are considering Bradford's case for financial assistance.

Family Relationship

Mr. Madden asked the Prime Minister if she will make a statement about co-ordination between the Foreign and Commonwealth Office and the Home Office on Her Majesty's Government's policy towards the acceptability of blood tests and genetic testing as offering conclusive evidence of family relationship.

The Prime Minister: The two Departments are working closely together on an experimental scheme to assess the acceptability and feasibility of the recently developed DNA testing technique in relation to entry clearance applications. The arrangements for conventional blood testing are well established.

Westland plc

Mr. Mikardo asked the Prime Minister whether, in view of the conflicting accounts of certain incidents in the Westland affair given by her and the Secretary of State for Trade and Industry on the one hand and the former Secretary of State for Defence, the right hon. Member for Henley (Mr. Heseltine), on the other, she will seek to determine the truth by using a polygraph of the type Her Majesty's Government are proposing to use at Government communication headquarters, Cheltenham.

The Prime Minister: No.

Ministers (Broadcasts)

Mr. Winnick asked the Prime Minister if it was with her authority that an official from her press office contacted the British Broadcasting Corporation and asked it not to broadcast an interview which had been recorded by the Secretary of State for Trade and Industry for use on Sunday 22 December; and if she will make a statement.

The Prime Minister: I refer the hon. Gentleman to the reply I gave to him on 20 January.

10 Downing Street (Foreign Visitors)

Mr. Tony Banks asked the Prime Minister, pursuant to her reply of 16 January, *Official Report*, column 628, if she will publish a list of all prominent nationals invited to Downing street social occasions held for foreign visitors in each of the past five years.

The Prime Minister: Guest lists for major social occasions for foreign visitors are made public at the time.

FOREIGN AND COMMONWEALTH AFFAIRS

Alexander Archibald

Mr. Ron Brown asked the Secretary of State for Foreign and Commonwealth Affairs what steps have been taken to secure the release of Alexander Archibald, a constituent of the hon. Member for Edinburgh, Leith, presently held in a Thai jail.

Mr. Eggar: None. Mr. Archibald has been sentenced under Thai law to a cumulative period of three years and nine months imprisonment for a number of offences. He is expected to be discharged from prison on 28 December 1987.

African National Congress

Mr. Deakins asked the Secretary of State for Foreign and Commonwealth Affairs what conditions have to be fulfilled before he will allow his officials to meet members of the African National Congress.

Mrs. Chalker: The Commonwealth accord called for a suspension of violence in South Africa. Clearly the African National Congress support for such a move would help to promote dialogue within South Africa and with those outside, including ourselves, who seek a peaceful political solution to South Africa's problems.

South Atlantic Islands (Sovereignty)

Mr. Dalyell asked the Secretary of State for Foreign and Commonwealth Affairs how many records for the year 1955 relating to sovereignty of the South Sandwich

Westland plc

Mr. D. N. Campbell-Savours (Workington): On a point of order. Mr. Speaker. In light of the fact that we have been told that certain documents are not to be made available to the Select Committees on Defence and Trade and Industry, I would like to raise a point of order following upon your ruling in column 1211 of the *Official Report* of 16 January when, following a point of order raised by my hon. Friend the Member for Middlesbrough (Mr. Bell), in which he referred to quotes from official documents and the need for those documents to be placed in the Library, you said in your ruling:

"I do not think that there was a quotation from a document." You then went on to say in the same column:

"that if Ministers quote from an official document, as opposed to paraphrasing an official document, it is our rule that that official document should be laid."

You did not include letters and memoranda. In column 1212, the Prime Minister, in an intervention, said:

"The first thing is, therefore, to check *Hansard* to see whether what was said was given as a direct quote from the document. That is the first thing that we must find out. What follows from that is a matter for the House, not for me."

In column 1214, the hon. Member for Woking (Mr. Onslow) said:

"Since a reading of that column nowhere suggests that my right hon. and learned Friend the Secretary of State for Trade and Industry was quoting from any document other than the notes of his speech, this is not a matter that should detain us any longer." [*Official Report*, 16 January 1986; Vol. 89, c. 1211-1214.]

You concurred with that view, Mr. Speaker.

The quotation that was being examined is to be found in column 1167 of 15 January. It reads:

"At that meeting, Sir John Cuckney referred to what he described as the Government's preference for a European minority shareholder in Westland. I said that a European minority shareholder was in both the commercial and political interests of the Government." [*Official Report*, 15 January 1986; Vol. 89, c. 1167.]

That is a quote by the Secretary of State for Trade and Industry. Parts of that statement are from the official document. They are drawn from a letter, which is precluded under the arrangements as outlined in "Erskine May", but equally from a minute. That minute exists. It is known to Members of the House. I quote from that minute where it meets exactly the words as spoken by the Secretary of State. The words are:

"The Government's preference for a European minority shareholder in Westland", and, secondly,

"a European minority shareholder was in both the commercial and political interests of the Government".

Those are direct quotes.

I have consulted my hon. Friends, Mr. Speaker, and during the course of the speech by the right hon. and learned Gentleman the Secretary of State he actually referred to documents which were before him. It was clear that he was quoting. It may be that in the *Official Report* it was not printed as a quote, but it was a quote. It may be that the Secretary of State for Trade and Industry sought not to represent what he was saying as a quote, but it was a quote.

In so far as it was a quote—

Mr. Speaker: Will the hon. Member come to his point of order, because 33 right hon. and hon. Gentlemen are anxious to get on to the next debate?

Mr. Campbell-Savours: I am sure that the House will bear with me. It is a point of order about a matter of great public controversy.

My point of order is simply to establish whether, in the light of what I said, and in so far as the Minister was not paraphrasing, as you suggested to the House that he might be, in so far as he was quoting directly, you would now intervene, Mr. Speaker, and make a ruling as to whether that document should be laid on the Table, as is required in our manual on procedure? This is referred to specifically on page 433 of "Erskine May", where it says:

"A Minister of the Crown may not read or quote from a dispatch or other state paper not before the House unless he is prepared to lay it upon the Table. Similarly, it has been accepted that a document which has been cited by a Minister ought to be laid upon the Table of the House, if it can be done without injury to the public interests. A Minister who summarises a correspondence"—

which was not being done in this case; it was being referred to specifically—

"but does not actually quote from it, is not bound to lay it upon the Table. The rule for the laying of cited documents does not apply to private letters or memoranda."

We are referring here to a minute, Mr. Speaker, and I put it to you that you might care, following the fullest consideration, to rule.

Mr. Douglas Hogg (Grantham): Further to that point of order, Mr. Speaker. In the end, it is a matter of interpretation. Is it not right that during the debate to which the hon. Member referred no one from the Labour Benches rose to assert that a direct quotation was being made by the right hon. and learned Gentleman?

Mr. Campbell-Savours: I did.

Mr. Tony Marlow (Northampton, North): Further to that point of order, Mr. Speaker. If a Minister makes a short statement of Government policy, obviously, from time to time and coincidentally, that statement can be found in confidential documents. What the hon. Gentleman is saying is that every document, every secure, confidential Cabinet document should be placed before the House. That is manifest nonsense.

Mr. Dennis Skinner (Bolsover): Further to that point of order, Mr. Speaker. You heard what the hon. Member for Grantham (Mr. Hogg) had to say about no one from the Labour Benches rising to challenge the Secretary of State at the time that he was reading from those documents. That statement is not correct because, at the time that the Secretary of State was making that statement, there were several of us—and I was sitting about four places below—shouting from our seats and standing up, calling to the Secretary of State that he was reading. My hon. Friend the Member for Workington (Mr. Campbell-Savours) was also on his feet, making the same point. "Lay it on the Table" is what we were saying. I think that it would be sensible, Mr. Speaker, for you as Speaker to look into the request made by my hon. Friend, so that we can make absolutely sure that the matter is dealt with properly.

Mr. Alan Williams (Swansea, West): Further to that point of order, Mr. Speaker. The panic on the Government Benches certainly seems to justify the question that my hon. Friend the Member for Workington (Mr. Campbell-Savours) has raised. It has been referred to previously in the House, and several Members have asserted that they actually saw the Minister reading from a document.

Clearly, we do not want to prejudge the issue. Can we ask you, Sir, to ask for sight of that document and to look at it in that light? If not, Sir, you will have to tell us how we judge whether something is a quote. If a Minister happens to bring a document, as is suggested, to the Dispatch Box, reads a piece of it and does not submit it to *Hansard* when he gives his speech notes, as is normal, this is a way of evading the controls that "Erskine May" envisaged. I ask you to take this away, not to give a judgment immediately, but to come back and give us a ruling on whether it was a quotation.

Mr. Speaker: Order. The Chair must interpret the rules and the rules, as set out in "Erskine May", have been fairly and fully quoted by the hon. Member for Workington (Mr. Campbell-Savours). If the Minister was quoting from a document it is his duty to lay it. I shall look at *Hansard* but I have no means of interpreting what was in the Minister's mind and whether he was or was not quoting. That is not a matter for him. I am concerned only about the rules of the House and I shall faithfully follow them.

STATUTORY INSTRUMENTS, &c.

Ordered,

That the draft Importation of Live Fish of the Salmon Family Order 1986 be referred to a Standing Committee on Statutory Instruments, &c.—[*Mr. Maude.*]

Rate Support Grant (England)

Mr. Speaker: I must tell the hon. Member for Tiverton (Mr. Maxwell-Hyslop) that I am not able to select his amendments.

4.40 pm

The Secretary of State for the Environment (Mr. Kenneth Baker): I beg to move,

That the Rate Support Grant Report (England) 1986-87 (House of Commons Paper No. 140), which was laid before this House on 18th December, be approved.

This afternoon we shall be considering the three rate support grant reports which I laid before the House on 18 December. Before I describe them in detail, I should like briefly to remind the House of where we stand on local authority spending.

This year local authority current spending amounts to about a quarter of all public spending and it is for that reason that the Government seek to influence it.

Mr. Speaker: Order. I did not hear the Secretary of State say whether he was taking the three reports together.

Mr. Baker: Yes, I would ask for the House to take them all together. The other two motions are:

That the Rate Support Grant Supplementary Report (England) (No. 2) 1985-86 (House of Commons Paper No. 587), which was laid before this House on 18th December, be approved.

That the Rate Support Grant Supplementary Report (England) (No. 3) 1984-85 (House of Commons Paper No. 138), which was laid before this House on 18th December, be approved.

Mr. Speaker: It seems that the right hon. Gentleman has the leave of the House to do so.

Mr. Baker: Thank you, Mr. Speaker. We do not want three debates like this.

Current spending by local authorities for which they get grant has grown by about 4.5 per cent. in real terms since 1981. This means that local authority spending is growing at about 1 per cent. a year above the rate of inflation, despite all our efforts to encourage restraint. We have had some success. In the present financial year there has been no real increase at all. This is an improvement on the 1960s and the 1970s when councils were spending at about 5 per cent. more in real terms each year than the rate of inflation. That was when Tony Crosland went to Manchester city hall and made his famous speech about the party being over. But the party did continue in full swing and it was not until 1979 that one began to see a significant downturn.

I am sure that all my right hon. and hon. Friends will agree that we should continue our policy of expenditure constraint. But I do accept how strongly some shire counties have felt that they have more than played their part, and some indeed have. I must tell the House that on average since 1978-79 shire counties have increased spending by nearly 5 per cent. in real terms and only seven counties have cut their current spending over this period.

Having said that, in no way do I want to denigrate the work that the shires do. They have done much better than many of the high-spending Labour-controlled authorities. Indeed, so great has been the extravagance of those that we have had to introduce rate capping to curb their expenditure. The sort of levels of expenditure that one has been seeing among those authorities is: Wolverhampton, up 8 per cent. in real terms since 1979; Kirklees up 11 per cent.; Sheffield up 14 per cent.; and Hackney, at the top of this unenviable league, up 46 per cent. We have had to

[Mr. Baker]

introduce rate capping to restrain the expenditure of Hackney and many other central London high-spending Labour authorities.

Mr. Tony Banks (Newham, North-West): Will the right hon. Gentleman give way?

Mr. Baker: Not just yet.

Sir Peter Hordern (Horsham): Would my right hon. Friend care to make an amendment to the public expenditure White Paper which has just been published and which shows that, so far from the increase in expenditure for the shire counties being 5 per cent., as he mentioned, the figure appears to be 1.5 per cent., 9 per cent. for metropolitan areas and 13 per cent. in London? Disregarding that point, will he now make an exception for those shire counties that have consistently spent less than their grant-related expenditure and allow them at least the progression that has been accorded to them in each of the past two years?

Mr. Baker: May I answer that point, which is known as the GREA exemption proposition, in a moment, when I have cleared up the other two reports? I agree that that is central to the point and I am aware that many of my hon. Friends feel that local authorities should be allowed to spend up to GREA without loss of grant.

First, may I deal with the two subordinate reports before dealing with 1986-87? The first is the third supplementary report for last year, 1984-85. That adjusts block grant for 1984-85 in the light of the latest information about authorities' expenditure. The other report is the second supplementary report for the current year, which takes account of late budget data received after the first report which was laid last July. The very fact that, in these two subordinate reports of the reports relating to this year and last year, the grants of local authorities are being changed as the year is progressing, or in the case of last year, when the year is over, shows how deeply unsatisfactory the system is. No treasurer either this year or last year has been able to know the exact amount of grant that his authority is likely to get.—[Interruption.] I shall be bringing forward proposals in the Green Paper next week which will change that.

Let me make a technical point which is important because two local authorities—one has just sent me a telex which I received on coming into the House—have submitted revised budget information for 1985-86, too late to be taken into account for this report. I shall, of course, be making further supplementary reports in the current year so that the authorities need be in no doubt that their revised spending will be reflected in their final grant entitlements for the current year. However, the figures in the second supplementary report have been used as the basis for caps and nets on grant changes in the 1986-87 report. I do not at present propose to redetermine the caps and nets in the light of late information about spending in 1985-86.

The main issue before us is the report for 1986-87.

Mr. Tony Banks *rose*—

Mr. Baker: I want to deal with this and then reply to the point raised by my hon. Friend the Member for Horsham (Sir P. Hordern).

The first point I want to make, Mr. Speaker, is that the amount of grant which the Exchequer, and that means the taxpayer, will pay to local authorities next year is £11.8 billion. This is the same figure as we announced a year ago for the current year. It is, however, about £400 million more than we actually expect to pay out this year because of penalty holdback and I want to come to that later in my speech as it is of material concern. This means that next year the Exchequer will be funding about 46½ per cent. of local spending. Local authorities have known this since my predecessor's announcement in July. Also in July my right hon. Friend announced that we were providing for £22¼ billion of local authority spending next year. This is nearly £1 billion more than was provided for the current year.

Those are substantial increases and at the time the local authority associations protested. They wanted on top of that a further £1¼ billion. But the Government could not agree to that substantial increase and I do recognise—this is at the core of many of the problems affecting the shire counties represented by my hon. Friends—that the figure announced last July does imply real term cuts in this year's budgets.

Mr. Anthony Beaumont-Dark (Birmingham, Selly Oak): Will my right hon. Friend give way?

Mr. Baker: No. I want to come to the point made by my hon. Friend the Member for Horsham.

Mr. Beaumont-Dark: What about the fall in the Exchequer grant from 61 per cent. to 46 per cent.?

Mr. Baker: My hon. Friend asks in parenthesis about the fall in the Exchequer grant from 61 per cent. to 46 per cent. We have made it clear that we have followed that policy because we have wanted to reduce the Exchequer support to local government in an attempt to improve local accountability. My hon. Friend has a distinguished career in local government and we are agreed that local government in Britain would be much enhanced, without a shadow of doubt, if one could improve local accountability and reduce controls from the centre.

I come now to the comments of my hon. Friend the Member for Horsham about the GREA exemption. I remind the House that local authorities knew when my predecessor made those announcements in the summer that the Government were not prepared to underwrite expenditure of that level. I am sorry to say that many local authorities appear to be ignoring the advice about budgeting which my predecessor issued and largely as a result of that they are now facing substantial rate increases. I must say in defence of the Government's policy that we should not be blamed for that. Take, for example, wage settlements. I have seen several delegations in the past fortnight with county treasurers, county councillors, district councillors and their Members of Parliament. So have many of my ministerial colleagues. Many of the delegations have said that it was all very well for the Government, in the summer of 1985, to say that we were only prepared to fund a 3.5 per cent. increase in expenditure but many of them are having to bear high wage bills this year of 7 or 8 per cent. I have had to say to them that when, for example, the negotiators who were discussing the manual workers' wage claim just before Christmas in October and November said that they would offer 8.2 per cent., I said to the negotiators—which is a

Written Answers to Questions

Thursday 16 January 1986

AGRICULTURE, FISHERIES AND FOOD

Drugs

Mr. Dalyell asked the Minister of Agriculture, Fisheries and Food what representations he has received from the British Veterinary Association, the National Farmers Union, and the Consumers Association, about a black market in the growth boosting drugs, after the European Economic Community hormone ban; and if he will make a statement.

Mrs. Fenner: I am aware of the concern felt in many quarters on this aspect, and we have drawn it to the attention of the Council of Ministers, although no formal representations have recently been made to me.

Crayfish

Mr. Onslow asked the Minister of Agriculture, Fisheries and Food (1) what action his Department has taken under the Import of Live Fish (England and Wales) Act 1980 to prevent the import of American signal crayfish;

(2) what action he is taking following the observations in the 11th report of the Nature Conservancy Council on the spread of crayfish plague in British waters; and if he will make a statement.

Mr. Jopling: Unfortunately, the considerable practical difficulties involved in combating a disease which attacks wild fish in their natural environment mean that efforts now to eradicate crayfish plague would almost certainly be unseccessful. Moreover, the necessary restrictions on all imports of live crayfish, including those for the table, and controls on their movement throughout England and Wales would be highly disruptive to trade and expensive to enforce. For these reasons we have not taken any action to control imports of signal crayfish or to restrict or monitor their movements in this country.

Mr. Onslow asked the Minister of Agriculture, Fisheries and Food why his Department has continued to provide support from public funds for an organisation which markets American signal crayfish in view of the health record of imports of such fish.

Mr. Jopling: In 1981 the Government contributed towards the cost of a feasibility study into the co-operative marketing of crayfish matured in this country. The grant was made under the agricultural and horticultural co-operation scheme which was then administered by the Central Council for Agricultural and Horticultural Co-operation (now Food from Britain). As a result, the British Crayfish Marketing Association was established and in 1982 it received a very small grant towards its formation costs. My Department has made no further payments to the BCMA.

River Mersey (Silt Dumping)

Mr. Wareing asked the Minister of Agriculture, Fisheries and Food if he will make a statement on the current position regarding the issuing of a dumping licence for silt dredged from the River Mersey, its adjacent docks, locks and channels.

Mr. Jopling: The licences issued under the Dumping at Sea Act 1974 for the disposal to sea of dredge spoil from the River Mersey and its environs expired on 31 December 1985. Applications for their renewal were not received until well into the month of December. As it usually takes about two months for applications to be fully considered by our scientific advisers, the old licences were extended until 28 February to allow time for proper assessments to be made.

Under the Food and Environment Protection Act 1985, which now governs the issue of licences for sea disposal, Ministers are required to have regard to the protection of the marine environment, the living resources which it supports and human health. We shall take full account of these considerations and all other relevant factors in coming to decisions on these applications, which we expect to reach well before the end of February.

Nets

Mr. Onslow asked the Minister of Agriculture, Fisheries and Food if he plans to seek further controls over the use of nylon monofilament nets in England and Wales.

Mr. Gummer [*pursuant to his reply*, 15 January 1986, c. 579]: No. I would refer my hon. Friend to the reply given to my hon. Friend the Member for Eastleigh (Sir D. Price) on 29 November 1985, at column 702.

ATTORNEY-GENERAL

Official Secrets Act

Mr. John Morris asked the Attorney-General whether he will refer the apparent breach of any security involved in the disclosure of the contents of the recent letter of the Solicitor-General to the right hon. Member for Henley (Mr. Heseltine) to the Director of Public Prosecutions for his consideration and advice as to whether a decision to prosecute under section 2 of the Official Secrets Act should be taken.

The Attorney-General: An internal inquiry has been instituted into the matter to which the right hon. and learned Gentleman refers. When it has been completed—and it is still some considerable way from being completed—I shall be in a position to consider whether it is appropriate to follow the procedure which he suggests.

SCOTLAND

Summerston Shopping Centre, Glasgow

Mr. Craigen asked the Secretary of State for Scotland when the Scottish Development Agency hopes to complete its arrangements with Glasgow district council for landscaping the coup at the Summerston shopping centre, Glasgow.

Solicitor-General (Letter)

3.32 pm

Mr. Tam Dalyell (Linlithgow): On a point of order, Mr. Speaker. May I ask your help with a matter, about which I gave you notice this morning, relating to documents for the coming debate? It may be within the recollection of the House that on 6 January the Law Officers wrote a letter to the right hon. Member for Henley (Mr. Heseltine). It was partly and selectively leaked. For the purposes of greater accuracy, I went to the Library this morning to ask for the complete letter so that one could look at it in full and not selectively. The Library with its normal efficiency and courtesy, found that it did not have the letter. The Library then rang the Law Officers' Department, which said that higher authority would have to be consulted before it could give me the letter. When higher authority was consulted, lo and behold, the letter was not forthcoming. The House does not have the full text of that letter. It is extremely unsatisfactory to make decisions or speeches on the basis of selectively leaked letters. I wonder whether there is any way in which you can manage to get before the House the full text of the letter written by the Law Officers and sent to the former Secretary of State for Defence.

Mr. Speaker: Order. I cannot help the hon. Member. Whether the Government choose to put a letter before the House is entirely a matter for them. I believe that the Leader of the House wishes to say something.

The Lord Privy Seal and Leader of the House of Commons (Mr. John Biffen): So that we may keep these matters in perspective, may I say that in no sense do I represent higher authority. The House will appreciate that there are conventions relating to advice from the Law Officers. I can inform the House that the Solicitor-General has authorised publication of his letter of 6 January to the then Secretary of State for Defence, and arrangements are being made for it to be made available to the House later this afternoon.

Cruelty to Animals (Amendment)

3.34 pm

Mr. Harry Cohen (Leyton): I beg to move,

That leave be given to bring in a Bill to prohibit all tests of cosmetics, tobacco and alcohol and similar experiments on animals; to prohibit the draize eye irritancy test and the LD50 poisoning test; to prohibit behavioural and psychological experiments on animals; to prevent use of animals in warfare trials or experiments; to abolish the practices of hare coursing, and fox and stag hunting; to prohibit the use of domestic animals in animal experiments; to increase the penalties for convictions of causing, procuring or assisting at the fighting or baiting of dogs, cats or other domestic animals; to ban the import and sale of bull terriers and the advertising of fighting dogs for sale, including the advertising of qualities related to fighting; to regulate laboratories in which animals are bred; to reconstitute the Advisory Committee on Animal Experiments; and to promote alternatives to animal experiments.

I stress that there is no connection between this matter and the next item of House of Commons business.
[Interruption.]

Mr. Speaker: Order. The hon. Member has every right to be heard.

Mr. Cohen: I am pleased, Mr. Speaker, that this large gathering today is concerned with animal rights. The British enjoy a reputation as animal lovers. That reputation, I fear, exists more in the hearts and minds of decent British people than in the practices that are embodied in the law of the land.

The shameful reality is that 110 years have passed without improvements to the Cruelty to Animals Act 1876. My Bill seeks to bring the law closer to public perceptions of our humanitarian protection towards animals, and to distance future legislation as far as possible from the barbaric brutality allowed at present. In so doing, my proposals run counter to the Conservative Government's legislative intentions on this matter, which are to afford less protection to animals while employing a deft legislative "newspeak" to hoodwink and placate public opinion.

The Government are too squeamish to use the word "experiment" and have substituted the word "procedure" to ensure that public sensitivities are not offended while appalling cruelty to animals will actually be allowed to increase. This is a betrayal of the public's heartfelt wish to provide proper rights for animals, to see an end to barbaric blood sports and to end unnecessary animal experiments.

My Bill puts a stop to the obscenity of killing animals in the name of sport by abolishing the practices of hare coursing, fox and stag hunting. This is a Labour party policy which I should like to see enacted immediately. To their shame, the Conservative Government have twice overruled the Northern Ireland Assembly's unanimous votes to outlaw hare coursing. Perhaps this tendency to override public and parliamentary opinion will diminish somewhat when the Government are reminded that a recent poll of Conservative voters showed a majority opposed to all forms of hunting. The measure that I propose not only puts a stop to the rights of sadists to enjoy the fun of the kill while devastating our countryside but also sorts out their less well heeled blood brothers who support dog fighting. In line with RSPCA policy, my Bill would substantially increase penalties for convictions for causing, procuring, assisting or aiding and abetting at the fighting or baiting of dogs, cats and other domestic