

PRIME MINISTERWESTLAND

We are once again confronted with the problem of Westland. There is an informal meeting of Ministers tomorrow to consider how to proceed. The Lord President, the Foreign Secretary, the Chancellor of the Exchequer, the Defence Secretary, the Trade and Industry Secretary and the Chancellor of the Duchy will take part.

The basic problem is this. Westland say that without major government orders by the end of March, they will have to cut the work force of their helicopter division by half (losing some 3000 jobs) and close their Weston-Super-Mare site. They would also lose an independent capability to design and produce helicopters. They say that this can only be avoided if we place orders for substantial numbers of Black Hawk and Sea King.

The MOD don't need Black Hawk or Sea-King. Indeed they don't have the money to place any additional orders in the short term. But they are going to need some new medium support helicopters by the mid-1990s and would be ready to order an additional 30 EH 101 (Anglo-Italian) helicopters to meet this requirement. They will also need some more Lynx light battlefield helicopters. But they do not foresee any need for a helicopter in the NH-90 class (the European collaborative project) and intend to withdraw from the project.

The question is whether what the MOD can offer is enough to satisfy Westland and prevent large scale redundancies. The Defence Secretary's judgement is that it should be.

We have been here before.

There is almost certainly a substantial negotiating margin in what Westland say. They may well argue that they got their way by squeezing the government last year (they did not, we refused to purchase unwanted helicopters): and that with an

●ection approaching the Government will be loth to accept redundancies on this scale in the West Country. They have always nurtured the ambition to sell MOD the Black Hawk, despite being told countless times that we have no requirement for it. The offer which the MOD propose to make them would be a major gain, and they are lucky to get a commitment in such terms.

But there is probably an element of bargaining in the MOD position too. Their equipment budget is under heavy pressure. They would probably quite like to buy some of the helicopters which Westland want them to buy. They may see an opportunity of squeezing some additional funds out of the Treasury, with the justification that Westland has to be saved for political reasons.

But they also make the valid point that, given the long lead-times needed for defence procurement, nothing MOD do in the short-term can in practice prevent some redundancies at Westland. The offer of medium-term hope is the only realistic one.

You will want to consider with your colleagues the political aspects. The prospect of fresh controversy over Westland is not appetizing (though there are no grounds to expect major divergences between Ministers this time).

If it comes to financing any purchases from Westland outside the defence budget, you will want to bear in mind the many other competing claims - Airbus, space programme etc. This would need to be looked at in BA.

The Defence Secretary's recommendation that he and the Trade and Industry Secretary should talk to Westland seems sensible, though we shall want to avoid being drawn into a public auction.

A note by the Policy Unit is attached.

CDP

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10 February 1987