



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~938 7022~~ 218 2111/3

MO 26/16/1V

19th March 1987

Prime Minister
A bit grudging on
Westland's part. But a
useful assurance on the
timing - end June - of any
redundance.
Mr
Dear David, announcement of redundancy.

WESTLAND SUPPORT HELICOPTERS

CDP
19/3

Following further consultations with the Chief Secretary after the Prime Minister's meeting yesterday, Mr Younger and Mr Channon met Sir John Cuckney, Sir John Treacher, Mr Stewart and Mr Gueterbock of Westland at 9am today. Mr Younger confirmed the offer he had made at the previous meeting with Sir John Cuckney to bring forward our proposed order for a utility version of the EH101 to an in-service date of 1992. He said that the Government was very conscious of the gap that would remain in the company's workload in the short term and we therefore proposed to place orders now for early deliveries of sixteen Lynx 2 helicopters, while at the same time reducing the utility EH101 order from thirty to twenty-five helicopters. The Lynx order would be for Mark 2s and not Mark 3s because it simply would not make sense for MOD to buy a small batch of a new type of helicopter.

Sir John Cuckney said that he was grateful for the consideration that had been given to Westland's problems and for the firm decisions that had now been made. Mr Stewart said that the Lynx 2 order would be very helpful in workload terms because of the high man-hour content of the aircraft; he would need to check on the precise implications. Sir John Treacher said that an early order for the utility EH101 would require early decisions on the EH101 project. Mr Younger said that we would help in this regard but would not be prepared to place a firm production order until the development stage had been completed. We would need also to reach a satisfactory conclusion to our discussions with the company on the tightening of the EH101 contractual arrangement.

Mr Younger said that there were a variety of considerations pulling in different directions in relation to the timing of an

D Norgrove Esq
10 Downing Street



announcement. The company would wish to work out the detailed implications of the offers now made; his own suggestion, which Sir John Cuckney enthusiastically agreed, was to aim for an announcement of the orders at or about the time of the EH101 roll-out ceremony, which he was due to attend, at Yeovil on 7th April. The precise timing and modalities of announcements in Parliament and locally at Westland would, however, need to be worked out further and the Secretary of State would need to consult colleagues. We would let the company know our intentions in due course. Sir John Cuckney undertook that meanwhile he would provide us with an assessment of the implications of the orders for the company's payroll and structure. His initial reactions were that the orders described would enable the company to continue to participate actively in the EH101 project, but there would need to be a "severe contraction" in the helicopter division to the extent that the company could probably no longer maintain a balanced capability in the helicopter field. Some rationalisation with Fiat or Sikorsky, involving the possible loss of capacity by the UK, might be necessary. It might also be necessary for the helicopter division to become oriented more towards systems and marketing and to withdraw from some areas of technology. Mr Younger asked the company to spell out the reasons for this, if it was so, in a note; on the face of it it was not at all easy to understand why a reorientation of this kind was necessary given the really massive business in prospect for Westland in due course. Sir John Cuckney undertook to provide this.

There was some discussion of whether Westland's response to the proposals might have implications for the Rolls Royce "pathfinder" prospectus which was due to be published on 8th April. If the conclusion was reached by Westland that they could not maintain a balanced helicopter capability, then the Rolls Royce Board would have to be informed in confidence because of the possible impact on future engine requirements.

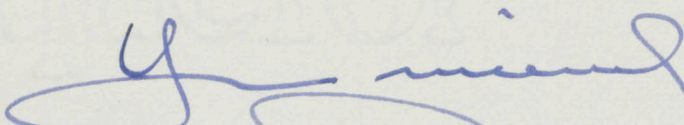
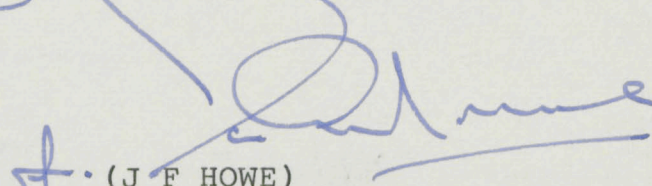
Sir John Treacher registered considerable unease at the prospect that the Government would announce a decision to withdraw from the NH90 project. This would be most unwelcome news, especially as the company could not sustain participation on a commercial basis only. He asked us to reconsider our intention to couple the NH90 statement with the statement on our future orders. Mr Younger said that the MOD's position was clear; there was simply no money for the NH90 but we would have another look at the statement in this respect.

In a short private discussion with Sir John Cuckney at the end of the meeting, the two Secretaries of State stressed the importance of the company's making its statements on the future of the Weston-Super-Mare site as positive as possible, for example by emphasising their intention to sell the factory as a going concern with prospects for future employment. Sir John Cuckney said that the company could and would express the Government's decisions in



very positive terms. The EH101 decision was undoubtedly a very positive one and although the Lynx order was smaller than the company would have wished, it was helpful. As regards Weston, the company would do all it could to strike a positive note. They were already considering whether it was possible to retain one unit there for three years or so; and Royal Insurance, of which Sir John Cuckney was Chairman, was planning to invest a large sum in establishing offices in Weston-Super-Mare which would create 400 jobs. He foresaw that it would take some three months - up to say the end of June - for detailed negotiations and discussions before the company was in a position to announce precisely what job losses there would be; though the fact of the contraction would have to be announced in the near future.

I am sending copies this to Joan MacNaughton (Lord President of the Council's Office), Andrew Lansley (Office of the Chancellor of the Duchy of Lancaster), Jill Rutter (HM Treasury), Timothy Walker (Department of Trade and Industry) and to Mr Unwin (Cabinet Office).



J. F. HOWE
Private Secretary