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PRIME MINISTER

WESTLAND: SUPPORT HELICOPTERS

1. Following your meeting on 18th March, the Secretary of State for Trade and Industry and I met Sir John Cuckney on 19th March to inform him of the Government's decision to order 25 Utility EH101 and 16 Lynx helicopters (my Private Secretary's letter of 19th March refers). At that meeting, there was some discussion of the implications of the Government's decisions for the future structure of Westland's Helicopter Divisions on which Sir John agreed to provide further advice. I have now received the attached letter setting out the Company's assessment and this minute reports how I intend to reply and my proposals for an announcement of the Government's decision.

Prime Minister
I don't think Westland
(or Sikorsky / Fiat) have behaved
well. They are manoeuvring to
blame the Government for
redundancies resulting from years
of inefficiency & over-manning: or
at least to make it appear to
be the Government's fault. You might
ask

defence
levering
to learn
on them
to encourage
a
more
positive
presentation.

Otherwise, agree his
drop
statement?
CDP
7/4
Yes
me

2. Sir John's letter sets out, as I had requested, both the implications for the manpower levels of the Helicopter Divisions and the impact on key engineering staff. There is nothing in the letter which is unexpected, but the general tone is perhaps disappointing, given the scale of the forward defence business for the Company. On manpower levels generally, the Company assess that, in order to remain competitive, they will need to reduce manpower by around 1,000



at Weston-Super-Mare and up to 1,300 at Yeovil. It is planned to implement these reductions over the next 12 months, following consultations with employees. Once the Government's decision is known, the Company will, however, wish to make clear very quickly their intention substantially to restructure the helicopter operation. My officials have emphasised the need for any Company announcement to be suitably positive about the extent of the Government's assistance provided by the planned orders for Utility EH101 and Lynx. It would appear from the assessment of manpower effects that the Company have not been offered any further work from Sikorsky and Fiat going beyond that envisaged at the time of the reconstruction.

3. The points made about the retention of key engineering staff are also not unexpected. Again, the Company appear to be looking solely to the Government for help and to be discounting the contribution of the huge EH101 project to sustaining confidence and providing challenging work. Of the positive steps which they have suggested might be taken, I am anxious to get ahead with the first stage of the Light Attack Helicopter programme but the funding that I can provide for research and demonstrator programmes has inevitably to be limited, given the acute pressures on the defence budget and concern over the extent of defence R&D. The Company also raised the question of withdrawal from the NH90 programme. On the substance of that issue, the position remains as set out in my original minute of 6th February. Just as I do not propose to order Black Hawk, there is no



early requirement for the future European helicopter in the same class, the NH90. Our primary requirement is for a larger helicopter which is why we are offering a substantial order for the Utility EH101. We cannot remain in a collaborative programme which is not under-pinned by a defence requirement and nor is there the money to fund both such participation and early orders for other helicopters. On the presentational question of whether we should now announce that we do not intend to proceed to the next stage of the NH90 project, we are being pressed by our partners to clarify our position and an announcement will be needed in a matter of days. It would clear be inappropriate to make a Parliamentary Statement on the other aspects of our decision on support helicopters and not to deal explicitly with this point.

4. I attach a copy of my proposed reply to Sir John Cuckney's letter, which I have it in mind to send before making a Parliamentary Statement. Also attached is a copy of the draft statement. We have, as you know, been in close touch with the Company about the timing of this statement since they are anxious that it should be made before the Easter Recess but, in the event, concluded that it would be preferable to wait until after today's EH101 roll-out. Following these consultations with the Company, I propose to make this statement this Thursday, 9th April.

5. I am copying this minute, and the attachments, to the Lord President of the Council, the Foreign and Commonwealth Secretary, the



Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster, the Secretary of State for Trade and Industry and to Sir Robert Armstrong, who were involved in the earlier consideration of the size and timing of defence orders. A copy also goes to the Secretary of State for Employment, the Lord Privy Seal and the Chief Whip.

A.Y.

Ministry of Defence

7th April 1987



STATEMENT
DRAFT ANNOUNCEMENT ON SUPPORT HELICOPTERS

With permission, Mr Speaker, I wish to make a statement about the future defence requirement for support helicopters and the orders which I intend to place with Westland plc.

2. The Services possess a number of different types of helicopter capable of transporting troops and undertaking logistic and other tasks: Chinook, Puma, Sea King, Wessex and Lynx. A key task is to support our Army in Germany, for which - in addition to Lynx of the Army Air Corps - Chinook and Puma helicopters are currently assigned. There is also a wide range of other deployments worldwide.

3. Until 1985, it was envisaged that both RAF Puma and Wessex support helicopters would be replaced one-for-one by a helicopter of similar size. This approach, however, came increasingly into question as a result of trials conducted by 6 Airmobile Brigade that suggested a requirement for an increased number of larger helicopters. A comprehensive review of the requirement for support helicopters in all roles well into the next century was therefore set in hand.

4. This work showed the need for additional large helicopters in the Central Region, capable of lifting a platoon, that is about 30 men and their equipment, or a substantial logistic load.



These large helicopters, together with some Lynx battlefield helicopters, would enable the Army to provide an airmobile capability and thereby enhance our defence contribution in Germany.

5. The choice for the large helicopter lies between additional Chinook, which are already in service in Germany, or the introduction of a utility version of the Anglo-Italian EH101 helicopter, which is due to enter service in the naval version in the early 1990s. The Government has decided that the right choice is to introduce the utility EH101 to meet this requirement. This choice will build on the investment we have already made in the naval version, and reflects our policy on European helicopter collaboration.

6. We have at the same time reviewed the case for continued British participation in the NH90 collaborative helicopter project beyond the study phase which was recently completed. NH90 is a smaller helicopter than EH101 and will be available later. With the decision that we have now reached on the future composition of our support helicopter force, we no longer have any early requirement for a helicopter in the NH90 class, nor is there the money to fund both participation in the NH90 definition and development programme - which is due to begin soon - and an early purchase of other helicopters. We are therefore informing our partners that we do not intend to proceed to the next stage of the NH90 project.

7. In reaching a decision on the choice between alternative support helicopters and particularly on the timing of orders, I have had much in mind the workload at Westland helicopters, until work builds up on the naval version of the EH101. Subject to satisfactory resolution of the contractual and other issues with the companies concerned and our Italian partners, we intend to place an order for an initial batch of 25 Utility EH101 for delivery in the early 1990s. I also intend - subject to satisfactory contractual negotiations - to order a further 16 Lynx helicopters for the support of airmobile operations. The cost of these orders will be contained within the overall public expenditure planning totals.

8. Mr Speaker, these orders are in addition to the continuing work offered to Westland in support of the Services' existing helicopter fleet, follow-on orders already announced for present helicopter types, the very large and challenging naval EH101 programme, and preliminary work on a new Light Attack Helicopter. {The package I am announcing ^{will} ~~will help to~~ sustain} a British helicopter industry capable of meeting the demanding requirements of the Services into the 1990s and beyond,

and the package I am announcing today ~~will~~ is further evidence of that commitment.

No-one can credibly say that
the Government has not done its
best to ^{help} sustain - too defenceless
alas.