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To: PS/CHANCELLOR OF THE DUCHY

cc PS/Secretary of State
Sir Brian Hayes
Mr R WilliamsFrom: M J MICHELL
US Air
Room 619
Ashdown House
212 6708

26 February 1988

WESTLAND

Sir John Cuckney spoke to me yesterday evening to inform me that preliminary moves were afoot which might lead to an agreed take-over bid for Westland. The company involved was a substantial British engineering group.

2 I asked what the timetable might be. Sir John said he did not think the discussions would reach a point where a public announcement would be required for 4 to 5 weeks. The company concerned would only proceed if their proposals were unopposed. The current discussions involved a very restricted circle of Westland Board members, and were "developing well".

3 I asked if the principal foreign shareholders (UTC and Fiat) were aware of the position. Sir John said they were, and that they were "interested" and "supportive of the discussions". He said also he believed these companies would wish to continue their commercial involvement with Westland.

4 Sir John said he had not informed the MoD of this and would not wish to do so for the time being. He was aware that the MoD were concerned again about the future of Westland.

5 I said that with Sir John's permission I would report our conversation on a highly classified basis to you and others named above. Sir John was content with that.

6 Sir John did not name the company involved, partly because this was a telephone conversation. I also said to him that once he named the company I would find it a little embarrassing not to inform MoD colleagues, who indeed I thought would be generally pleased with the development.

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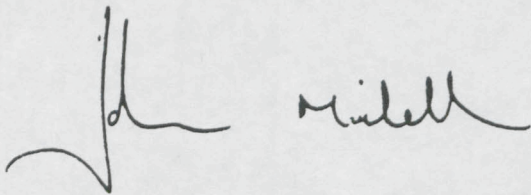
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7 I also told Sir John that the Prime Minister would wish to be informed as soon as it was appropriate to do so. He fully recognised that.

8 Sir John said he would like to see me next week to discuss the situation in more detail. Subject to your views, I think that might be helpful.

9 From other indications, I believe the company concerned may be GKN. But I may be wrong about that. The case would clearly be of a size to be examined by the OFT, but I should be surprised if they would consider a reference was required.

10 I shall report further as necessary.

A handwritten signature in cursive script, appearing to read 'M J Michell', written in dark ink.

M J MICHELL

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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

Prime Minister

ms.

I understand from Sir
John Cuckney that Westland
are negotiating with a
'medium-sized engineering company'
for an agreed take over.
No announcement is likely for
4 or 5 weeks. He is not
telling the MOD.
Although he did not

say to, there are some
grounds to think that the
company concerned is

GKN.

C.D.P.

26/2.