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DEPARTMENT OF TRADE AND INDUSTRY
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DW48

Secretary of State for Trade and Industry

17 June 1985

Charles Powell
Private Secretary to the
Prime Minister
10 Downing Street
London
SW1

Dear Charles,

WESTLAND

My Secretary of State wishes the Prime Minister to be aware of the position, following his meeting this evening with Alan Bristow, accompanied by Kleinwort Benson Ltd, concerning their offer to acquire Westland Plc. Following my Secretary of State's letter of 13 June to the Secretary of State for Defence, my Secretary of State handed to Mr Bristow the attached letter, setting out responses in relation to the points raised by Mr Bristow on 13 June.

2. Following further discussion which concluded at 8.30 pm this evening, Mr Bristow made it clear that the financial position of Westlands is far worse than he could reasonably have known at the time of his bid and unless HMG could give him the assurances set out in my Secretary of State's letter of 13 June he would inform the Take Over Panel tomorrow that he must allow his bid to lapse.

3. My Secretary of State has no doubt that such an announcement would have the most serious effect on Westlands which would probably lead to receivership. Mr Bristow intimated that given reasonable hope that HMG would be able to offer the assurances he sought he would be willing to risk extending his bid by a further 14 days.

4. My Secretary of State does not believe there is an overwhelming industrial case to maintain an independent UK helicopter manufacturing facility, but defence, political and foreign policy considerations (particularly the collaborative programme entered into with Agusta of Italy in respect of the EH101 programme) may dictate that action should be taken to avoid collapse of the company.



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5. Although my Secretary of State has not put such a proposition to Mr Bristow he believes that the latter might be induced to carry through his bid by the following understanding:

1. We should stand ready to assist the sale of the ONG Series 160 aircraft by use of ATP of up to £30 million if that contract is lost.
2. Bristow on gaining control of Westlands would freeze work on the W30 series 200 and 300 (which are the subject of the launch aid contract) until MoD takes its decision on AST404.
3. In the event that the AST404 decision is adverse Bristow and HMG would conduct a review of the prospects of the Series 200 and 300 and we would be sympathetic to writing off the £35 million launch aid by agreeing to cancellation, unless clear sales prospects could be seen, as the contract provides.
4. Bristow would not seek payment of the further £6 million launch aid shortly due unless the project was carried through.

6. The fact is that unless Westlands and the W30 200-300 project survive we will probably lose our £35 million. If the above plan was agreed we would save the last £6 million of launch aid if the project was cancelled. We have already concluded that if the ONG contract is lost we should use ATP to seek to dispose of the aircraft. The P/Ex consequences of such an arrangement are therefore favourable.

7. I seek the most urgent agreement (by Tuesday 9.00 am) to seek to induce Bristow not to withdraw his bid.

8. I am copying this letter to Peter Ricketts (PS/Foreign Secretary), Margaret O'Mara (PS/Chancellor), Richard Mottram (PS/Secretary of State for Defence), Henry Steel (Law Officers), Michael McCulloch (ODA) and to Richard Hatfield (Cabinet Office).

Yours ever,

ANDREW D LANSLEY
Private Secretary



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17 June 1985

A Bristow Esq
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20 Fenchurch Street
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EC3P 3DB

WESTLAND

As promised when we met on 13 June I have considered with colleagues your request for assurances that HMG would:-

- (i) procure up to 25 W30-160 aircraft were those currently in Westland's hands to be unsaleable elsewhere; and would agree either:-
- (ii) to waive repayment of launch aid were you to unilaterally cancel the W30 programme; or
- (iii) to procure the W30-300 aircraft to meet AST 404.

The Secretary of State for Defence has made it quite clear to me that he has no immediate operational requirement for the W30-160 and, because it is currently under review, he is not in a position to say what aircraft would meet the Air Staff Target to replace the existing Puma and Wessex fleets.

I regret that I, too, am unable to give any assurance or prior commitment to waive the obligation to repay launch aid already provided for the W30 development programme were you, on assuming control of the company, to terminate the programme unilaterally.

Signed by the Secretary of State and handed to Mr. Bristow on 17 June.

NORMAN TEBBIT

JH1CLX

PS/SOS 17/6/85