

12.00

PRIME MINISTER

WESTLAND

Once again we face the possibility of Westland having to go into receivership.

The Trade and Industry Secretary recommends Government participation in a reconstruction package in which the Government would underwrite the sale of 21 W30-160s (those for India). The Defence Secretary and Foreign Secretary are likely to support this. But no-one wants to underwrite the risk from his departmental budget if the Indians don't take the 21 helicopters: or the less definable risk where the Indians do take the 21 helicopters but the company subsequently get into difficulty, with the Government feeling obliged to bale them out. The Chancellor will probably therefore be opposed.

The immediate problem is what to say to Mr. Gandhi. There is no chance of a reconstruction package being in place before he comes. You will therefore be in a difficult position if he seeks assurances about the company's viability as a condition for taking the 21 helicopters. If you are non-committal, he may feel justified in finally withdrawing from the sale.

Mr. Brittan seeks an early meeting to discuss the problem. You simply can't do this. Agree to ask the Chancellor (since the Lord President has not hitherto been involved at all) to chair a meeting on your behalf with the purpose of agreeing:

We may have to have a meeting on Sat or Sunday morning 12 or 13 Oct. I should prefer not to be there.

- (a) the best possible line for the discussions with Mr. Gandhi; and
- (b) that Westlands be urged to look for possible European partners, so that the Government can



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make up its mind later in the month whether  
a viable reconstruction package is available?

C.D.P.

(Charles Powell)

If you agree that the  
Chancellor should chair a  
meeting, can I say  
that you would not be  
averse to Government participation  
in a reconstruction package  
if there is agreement on this  
among allayers?

C.D.P.

4 October 1985

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