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TO BRITISH EMBASSY PARIS
 BRITISH EMBASSY BONN
 BRITISH EMBASSY ROME
 INFO BRITISH EMBASSY THE HAGUE
 FCO LONDON

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C O N F I D E N T I A L

SIC ACA/A2P

SUBJECT: FUTURE OF THE EUROPEAN HELICOPTER INDUSTRY.

FROM. PS/DEFENCE SECRETARY

1. PLEASE DELIVER AS SOON AS POSSIBLE TODAY THE MESSAGE BELOW FROM THE DEFENCE SECRETARY TO M. QUILES, DR WOERNER AND SENATORE SPADOLINI. THE MESSAGE IS ALSO BEING MADE AVAILABLE TO EMBASSIES IN LONDON. THE DEFENCE SECRETARY WILL BE IN TOUCH BY TELEPHONE WITH HIS COLLEAGUES AND WE WILL REPORT THE OUTCOME.

2. MESSAGE IS AS FOLLOWS:

OUR STAFFS ARE IN TOUCH ABOUT THE RATIONALISATION OF OUR FUTURE REQUIREMENTS FOR HELICOPTERS AS PART OF OUR EFFORT TO MAINTAIN A VIABLE HELICOPTER INDUSTRY UNDER EUROPEAN CONTROL. I THOUGHT I SHOULD WRITE TO YOU PERSONALLY TO LET YOU KNOW WHERE MATTERS STAND AND TO PUT FORWARD SOME FURTHER SUGGESTIONS WHICH NEED TO BE CONSIDERED IN THE LIMITED REMAINING TIME WE HAVE AVAILABLE. THE BOARD OF WESTLAND HELICOPTERS HAVE TO HAVE A RECONSTRUCTION PACKAGE IN PLACE BY 18TH DECEMBER TO BE ANNOUNCED WITH THEIR RESULTS FOR THE LAST FINANCIAL YEAR THE FOLLOWING DAY. GIVEN THE TIME TAKEN TO COMPLETE ALL THE DETAILED PAPERWORK WE ARE ALREADY AT THE POINT WHEN THEY MUST TAKE FINAL DECISIONS. I HAVE AGREED WITH MY COLLEAGUES IN THE BRITISH GOVERNMENT THAT I WILL MAKE A LAST PERSONAL EFFORT TO HELP TO CLARIFY THE EUROPEAN BID BY THIS FRIDAY 13TH DECEMBER. THIS IS THE ABSOLUTE DEADLINE. THE APPROPRIATE COMMITTEE OF THE CABINET MEETS AT 3PM THAT DAY.

I WAS ABLE AT MY HELPFUL MEETING WITH YOUR NATIONAL ARMAMENTS DIRECTOR ON 25TH NOVEMBER AND IN OUR SUBSEQUENT DISCUSSIONS TO SET OUT THE PROBLEMS WESTLAND FACE AND THE WAY IN WHICH WE WORKING TOGETHER MIGHT FIND A SOLUTION. THERE ARE TWO ESSENTIAL REQUIREMENTS. FIRST WE NEED TO ESTABLISH A CLEAR AND AGREED PLAN FOR HELICOPTER PROCUREMENT OVER THE NEXT 15 YEARS OR SO IN WHICH WESTLAND AND EQUALLY THEIR EUROPEAN PARTNERS CAN SEE A VIABLE FUTURE IN TERMS OF PRODUCT RANGE. IN THE PARTICULAR CASE OF WESTLAND I NEED A PRODUCT RANGE DEMONSTRABLY MORE ATTRACTIVE THAN THE ALTERNATIVE PROVIDED BY A LINK WITH SIKORSKY AND I NEED TO BE ABLE TO SHOW AS PART OF THE EUROPEAN BID THAT WE ARE ALL COMMITTED TO A SINGLE FAMILY OF HELICOPTERS AT THE BATTLEFIELD LEVEL, NH90 AND EH101. THERE IS ANXIETY THAT THESE HELICOPTERS MIGHT IN THE EVENT FACE COMPETITION FROM WITHIN EUROPE WHICH WOULD AFFECT THEIR VIABILITY. I BELIEVE WE NEED TO ADDRESS AND REJECT THIS EXPLICITLY.

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SECONDLY, THERE IS THE PROBLEM OF THE PRODUCTION LOADING AT WESTLAND IN THE PERIOD UNTIL THE EH101 MOVES INTO THE PRODUCTION PHASE. THIS IS PARTLY A QUESTION FOR OUR COMPANIES TO ADDRESS IN TERMS OF SUB-CONTRACT WORK TO BE PLACED BY THEM AT WESTLAND. M. QUILES HAS MADE TO ME A MOST HELPFUL OFFER IN RELATION TO WORK ON THE SUPER-PUMA TO BE ORDERED BY THE FRENCH ARMY. I HOPE WE CAN CLARIFY URGENTLY WHAT THIS WOULD MEAN IN PRECISE TERMS. THERE IS ANOTHER WAY IN WHICH BY WORKING TOGETHER I MIGHT BE ABLE TO PLACE AT WESTLAND FURTHER PRODUCTION WORK FUNDED BY THE BRITISH GOVERNMENT WHICH ARISES AS A POSSIBILITY IF MY PROPOSALS BELOW YIELD ME THE ECONOMIES TO FINANCE IT. THE KEY LIES IN MAKING OUR RATIONALISATION EFFORT EFFECTIVE AT THE BATTLEFIELD LEVEL AND WIDENING THE SCOPE OF PARTICIPATION IN THE EH101. IF WE CAN SHOW THAT WE ARE DEFINITELY MOVING AHEAD ON A JOINT 4 OR 5 NATION SOLUTION TO THE BATTLEFIELD REQUIREMENT THIS SHOULD GENERATE SAVINGS FOR EACH OF US COMPARED WITH THE DEVELOPMENT PROGRAMME WE WOULD OTHERWISE REQUIRE FOR A MORE LIMITED FORM OF COLLABORATION. A FOUR NATION DEVELOPMENT SHOULD DEFINITELY BE CHEAPER THAN TWO TWO NATION PROGRAMMES. I WOULD INTEND TO SWITCH MY SAVINGS INTO PRODUCTION OF EXISTING HELICOPTER TYPES AT WESTLAND. I WOULD HOPE THAT THE SAVINGS WHICH WILL BE GENERATED ON YOUR PROGRAMMES MIGHT ALSO BE REINVESTED IN OUR CO-OPERATION IN A WAY WHICH IN TURN ENABLED ME TO GENERATE FURTHER WORK FOR WESTLAND. I WOULD HOPE THAT FRANCE AND GERMANY WHO HAVE BOTH EXPRESSED AN INTEREST IN PARTICIPATION IN THE EH101 PROGRAMME WOULD BE WILLING TO JOIN THE EH101 DEVELOPMENT PROGRAMME IN A WAY WHICH REDUCED THE BRITISH GOVERNMENTS SHARE OF THE COSTS. I WOULD THEN INVEST ALL THE MONEY SAVED IN FURTHER HELICOPTER PRODUCTION. IN THE CASE OF ITALY I WOULD HOPE THAT THE SAVINGS GENERATED COULD ALSO BE RE-INVESTED IN A WAY WHICH PRODUCED AT LEAST SOME SUB-CONTRACT WORK AT WESTLAND. THIS IS I APPRECIATE A COMPLEX PROPOSAL WHICH IN THE NORMAL PACE OF EUROPEAN ACTIVITY WOULD BE ADDRESSED OVER MANY MONTHS IF IT IS TO BE RELEVANT TO THE FUTURE OF WESTLAND WE NEED INSTEAD TO CONSIDER IT IN A MATTER OF DAYS. I PUT IT FORWARD BECAUSE IT IS THE ONE WAY IN WHICH I COULD GENERATE ADDITIONAL WORK AT WESTLAND PAID FOR FROM MY BUDGET WHICH WOULD BE UNIQUE TO A EUROPEAN APPROACH - IT IS THEREFORE THE ONLY CARD I HAVE AGAINST WESTLANDS VIEW THAT AN AMERICAN LINK WOULD GENERATE MORE PRODUCTION WORK.

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I HAD HOPED THAT WE MIGHT MEET COLLECTIVELY TO DISCUSS THESE ISSUES FURTHER BUT THIS IS UNREALISTIC AT SUCH SHORT NOTICE IN VIEW OF ALL OUR EXISTING COMMITMENTS. I THEREFORE THOUGHT I WOULD SEND THIS MESSAGE AND FOLLOW IT UP INDIVIDUALLY BY TELEPHONE. MY PEOPLE WILL SEPARATELY BE IN TOUCH WITH YOUR NAD AND WITH THE REPRESENTATIVES OF YOUR COMPANIES WHO ARE I BELIEVE COMING TO LONDON. I HOPE TO TALK TO YOU THIS LUNCHTIME. I CAN FRANKLY IMAGINE YOUR REACTION TO SO COMPLEX A SET OF INTERLOCKING PROPOSALS AGAINST SO TIGHT A DEADLINE BUT I ASK YOU VERY PERSONALLY TO ADDRESS THE ISSUES IN THIS LETTER AND THE DISCUSSIONS YOUR COMPANIES ARE HAVING IN LONDON. I DO NOT KNOW WHICH WAY THE OUTCOME OF THIS WILL GO BUT I DO KNOW THAT SIKORSKY ARE ABLE TO NEGOTIATE AS ONE COMPANY WITH ONE VOICE WITH ALL THE DRIVE AND IMMEDIACY THAT PROVIDES. CAN WE LET IT BE SAID THAT IN SO FUNDAMENTAL A MATTER WE ARE UNABLE TO MATCH SUCH RESOLVE.

I ASSURE YOU I WILL DO ALL I PERSONALLY CAN TO ACHIEVE THE PURPOSES TO WHICH WE ALL SUBSCRIBE. I CANNOT DO IT WITHOUT YOUR SUPPORT.

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MR. BRAITHWAITE

MR O'NEILL

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