



DEPARTMENT OF TRADE AND INDUSTRY
20 VICTORIA STREET
LONDON SW1H 0NF

Telephone (Direct dialling) 01 - 215 4377...
GTN 215)

(Switchboard) 01 - 215 7877

3 January 1986

C Powell Esq
Private Secretary
10 Downing Street
LONDON SW1

Prime Minister

Some interesting points here, which show the illogicality of the French position. They claim that Blackhawk would compete with the NH90: but SuperPuma would do so even more directly!

Dear Charles,

WESTLAND

I have been asked to send you copies of briefs etc on Westland so I enclose a note of a discussion I had yesterday with a senior official of the French Ministry of Transport (Directorate of Civil Aviation). I hope this is useful.

*CDP
3/i*

Yours sincerely,

M J Michell

M J MICHELL

CONFIDENTIAL
COMMERCIAL IN CONFIDENCE
MARKET SENSITIVE



To:

PS/SECRETARY OF STATE

cc. PS/Mr Pattie
Sir Brian Hayes
Sir Jeffrey Sterling
Mr Macdonald
Mr O'Shea

From:

M J MICHELL
US/AIR
VA 7/2
215 4377

3 January 1986

WESTLAND

M. Lagorce (French Ministry of Transport) came over on 2 January to talk to me about Westland, on instructions from his Ministers.

2. He said he felt the matter had been poorly handled in France. Until very recently the subject had been dealt with entirely by the Defence Ministry, who were responding to initiatives by Mr Heseltine. Originally the French Government had seen the discussion as one about harmonising European military helicopter requirements, and had not appreciated that there was an industrial structure element. Very recently, however, the debate had extended to involve other French Government Departments. As a result, French policy now was to urge that Westland should "stay European". Sikorsky involvement would be "disastrous". It would be equivalent to McDonnell Douglas, say, taking a share in Airbus.

3. [Comment: this remark, which I record verbatim, neatly encapsulates the difference between British and French perceptions of these matters. As it happens, McDonnell Douglas did propose in 1984 that they should take a 10 or 15% share in the Airbus A.320. In the event the proposal came to nothing, partly because of French resistance. But many British Ministers - principally Mr Tebbit - regarded the proposal, far from being disastrous, as being potentially very attractive for a number of reasons.]

CONFIDENTIAL
COMMERCIAL IN CONFIDENCE
MARKET SENSITIVE



- 2 -

4. M. Lagorce rehearsed the main features of the European offer. He particularly emphasised that participation was being offered to Westland across the full range of European projects. He felt this might not have been clearly brought out in Lloyds Bank's letters.

5. I said that might be so, but that it was indeed clear to us in DTI that the European offer was serious, wide-ranging and in many respects potentially most attractive. The UT/Fiat offer similarly appeared to us to contain many potentially attractive features. I explained that the Government's policy was that it was now for the company to decide. I also explained the Companies Act/Stock Exchange procedures and in particular that the Board of Westland would be giving further advice to shareholders in the light of the European proposals. This somewhat reassured M. Lagorce who appeared to have been advised that the Board could not now add or subtract anything from their recommendation to shareholders of 21 December.

6. We then had a wide-ranging discussion of aviation history since World War II, the experience of the French and ourselves in dealing with the Americans, the history of Airbus, Concorde, the AFVG, the BAC 3-11, the Vickers 1000, Space, General de Gaulle, NATO, nuclear strategy and other matters pertinent to the future of medium-sized companies in Yeovil.

7. After that I asked two questions:

- i) We had noticed in one of Lloyds Bank's letters that Aerospatiale were reported to regard Westland's continued participation in NH90 as incompatible with an association with Sikorsky. Was that the view of the French Government also?



- 3 -

My clear impression was that M. Lagorce was very embarrassed at this question. He said that these were matters for the industrial companies to decide: the French Government would not wish to influence Aerospatiale's freedom of decision. I said that since the NH90 was government-funded decisions on participation were surely a matter for Governments as well as companies. In any case M. Lagorce had just been lecturing me for two hours on how the European Governments needed to direct the aircraft industry in various ways. He then said a lot of things to the effect that it was a grave situation, serious developments, need for careful thought etc. The one thing he did not do was say "Yes" in answer to my question.

- ii) I said the offer of work to Westland on the possible Mark II version of Super Puma was potentially most attractive. I assumed the French forces had a requirement for this aircraft to provide a firm base to launch the project. Could M. Lagorce confirm the numbers involved? He said in fact there was no declared requirement for the aircraft from the French forces, although there was a "possible requirement" for about 10 machines for "battlefield surveillance" which this helicopter might satisfy.

I said nevertheless the French Government would no doubt have made an assessment of the export market for the aircraft. M. Lagorce said it was reasonable to assume that since the Super Puma had sold on average 40 per year in recent years, the Mark II would continue to sell at the same level for 10 years until NH90 came along, ie a total of 400 sales. These would be split roughly 60% military 40% civil. I am afraid I could not restrain myself from commenting that if the French continued to exert their well-known ingenuity in sales financing

CONFIDENTIAL
COMMERCIAL IN CONFIDENCE
MARKET SENSITIVE



- 4 -

these numbers seemed modest. I also asked whether the French did not think that the prospect of NH90 would substantially weaken the market for Super Puma II, especially in the later years, or, conversely, that Super Puma II sales might damage the market for NH90. I pointed out that, for example, the UK MOD had already decided to prolong the life of its Puma and Wessex machines and not to buy any interim aircraft before NH90. M. Lagorce said he did not think this was a position that would be generally taken by other Governments. He believed there was a clear market opportunity for Super Puma II within the 10 years before NH90 arrived. In any case NH90 was at an early stage and might slip. I said indeed it was and might. But I remained puzzled why Blackhawk was regarded as a direct competitor with NH90 while Super Puma II was not.

[Comment: It seems to me at least arguable that HMG should be saying to the French Government that we would regard the launching by Aerospatiale of Super Puma Mk II as incompatible with their continuing participation in NH90. I cannot see that Super Puma II is any less a potential competitor with NH90 than Blackhawk is alleged to be. Indeed since it is believed by many in France and the UK that Blackhawk has very poor sales prospects outside the US, the threat from Super Puma II would seem more serious.

It also seems to me arguable that all this simply illustrates that talk of "incompatibility" and "blackballing" at this stage is strongly linked to particular short-term commercial situations, and views currently expressed should not be regarded as definitive or irrevocable.]

CONFIDENTIAL
COMMERCIAL IN CONFIDENCE
MARKET SENSITIVE

- 5 -



8. Finally M. Lagorce raised the matter of the EUROFAR project. This is a proposal initiated by Aerospatiale under EUREKA for a research and demonstrator programme into tilt-rotor mechanisms, with the intention of establishing a European counterpart to current US work in this area. He said the French Government would support Westland participation in this project if the European offer was accepted, but not if UT/Fiat were chosen. I said we would take note of that; it was interesting to see in this instance that the French Government was closely involved in decisions on industrial participation. M. Lagorce then added that while he had outlined the current French position, this would not necessarily be "for ever".

9. [Comment: I will inform Westland of this threat, but I doubt if they will regard it very seriously. The project is a relatively minor one (indeed I quite involuntarily put Lagorce slightly out of countenance by genuinely having some difficulty in recalling it), and is in any case subject to all the uncertainties surrounding funding of EUREKA projects etc. Moreover it is interesting that this threat has not come from Aerospatiale itself, though they have had every opportunity to make it: it could be that they would not wish to proceed with the project without Westland blade technology, which is acknowledged to be very advanced. (Our own technical assessment, however, is that Aerospatiale probably have the technical capability to do the project themselves if they wished.) Next time I see Aerospatiale I will ask if they confirm the French Government position!]

10. I also discussed Airbus matters, Concorde and the ETW with M. Lagorce and will record that separately.

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

M J MICHELL

999-80