

RESTRICTED



10 DOWNING STREET

6 January 1986

From the Private Secretary

Dear Len,

WESTLAND: COMMENTS BY COMMISSIONER NARJES

The Foreign Secretary told the Prime Minister this evening that he would investigate the comments made by Commissioner Narjes about Westland which had been reported on the Press Association tape. He would make clear that it was unhelpful to have the Commission making ex cathedra statements of this sort on matters which were both internal to the United Kingdom and the concern of the private sector.

Yours sincerely,
Charles Powell

(C.D. Powell)

Len Appleyard, Esq.,
Foreign and Commonwealth Office

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PRESS ASSOCIATION

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UK FILE

06-01-86 at 16:48

POLITICS Westland EEC

By Geoff Meade, PA Staff Reporter in Brussels

Westland could be cold-shouldered in future European aircraft development deals if it accepts the Sikorsky offer, the EEC Commission in Brussels warned today.

Common Market Commissioner Mr Karl-Heinz Narjes stepped into the controversy firmly on the side of Defence Secretary Mr Michael Heseltine by backing the European consortium bid.

He said he did so in the interests of EEC industry and jobs, and in support of last year's agreement between some

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UK FILE Cont.

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NATO nations to work more closely together.

He made it clear he felt that accepting the American deal would split European cooperation efforts in developing new generations of aircraft, while offering no hope of opening fresh US markets for European producers, or improving high technology development.

"In the light of these arguments I have real doubts whether the other European partners of Westland and the British defence department would acquiesce to a completely new situation and would go on with business as usual," said Mr Narjes.

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UK FILE Cont.

06-01-86 at 16:48

The Commission's powerful intervention at a crucial stage in the Westland battle comes despite fears that Brussels will be accused of interfering in domestic matters.
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WESTLAND ANNOUNCES IMPROVED U.S. DEAL

WESTLAND TODAY ANNOUNCED AN IMPROVED US DEAL DESIGNED TO FINALLY KNOCK THE EUROPEAN RIVAL RESCUE PACKAGE OUT OF THE RUNNING.

GUARANTEES OF TWO MILLION MAN HOURS OF WORK AND A FINANCIAL PACKAGE PUMPING £74 MILLION INTO THE AILING HELICOPTER COMPANY MAKE UP THE MAIN ELEMENTS IN THE NEW DEAL, HAMMERED OUT BETWEEN WESTLAND AND GIANT US HELICOPTER MANUFACTURER SIKORSKY OVER THE WEEKEND.

THE EUROPEAN CONSORTIUM HAS OFFERED A £73.1 MILLION CASH INJECTION AND 1.8 MILLION MAN HOURS OF WORK.

IN A LETTER TO SHAREHOLDERS FIRMLY RECOMMENDING THE U.S. PACKAGE, WESTLAND CHAIRMAN SIR JOHN CUCKNEY SAYS ACCEPTANCE OF THE RIVAL EUROPEAN DEAL BACKED BY DEFENCE SECRETARY MICHAEL HESELTINE WOULD REDUCE THE COMPANY TO THAT OF 'A MANUFACTURER OF PARTS ONLY'

THE TOUGHLY-WORDED LETTER OUTLINES MANY OF THE REASONS WHY THE WESTLAND BOARD 'UNANIMOUSLY AND STRONGLY' RECOMMENDS THE NEW DEAL TO BE PUT TO SHAREHOLDERS AT A MEETING ON JANUARY 124.

SIR JOHN STATES: 'THIS IS NOT AN AMERICAN TAKEOVER. THE PRIME MINISTER HAS CONFIRMED THAT HM GOVERNMENT WILL CONTINUE TO REGARD WESTLAND AS BRITISH.'

HE SAYS UNITED TECHNOLOGIES, PARENT COMPANY OF SIKORSKY, AND FIAT 'WILL MAKE EXCELLENT PARTNERS FOR WESTLAND'.

SIKORSKY FORMERLY OFFERED JUST ONE MILLION MAN HOURS OF WORK FOR THE YEOVIL COMPANY IN ITS ORIGINAL RESCUE PACKAGE OFFER LAST MONTH.

UNDER THE TERMS OF THE NEW DEAL, THAT IS NOW RAISED TO TWO MILLION MAN HOURS - 200,000 MORE THAN THE RIVAL EUROPEAN CONSORTIUM HAS OFFERED.

SIKORSKY HAS ALSO DROPPED ITS ORIGINAL OPTION TO SUBSCRIBE FOR AN ADDITIONAL 10 PERCENT OF SHARES ON TOP OF THE 29.9 PERCENT INITIAL INVESTMENT.

THE AMOUNT OF CAPITAL TO BE DIRECTLY INJECTED UNDER THE AMERICAN PACKAGE NOW STANDS AT £23.1 MILLION, THE SAME LEVEL AS THAT PROPOSED BY THE EUROPEANS, WITH THE REST OF THE £74 MILLION COMING FROM BANKS AND SHAREHOLDERS.

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EEC COMMISSION WARNS WESTLAND

BRUSSELS, MONDAY - WESTLAND COULD BE COLD-SHOULDERED IN FUTURE EUROPEAN AIRCRAFT DEVELOPMENT DEALS IF IT ACCEPTS THE SIKORSKY OFFER, THE EEC COMMISSION WARNED TODAY.

COMMON MARKET COMMISSIONER MR KARI-HEINZ NARJES STEPPED INTO THE CONTROVERSY FIRMLY ON THE SIDE OF DEFENCE SECRETARY MICHAEL HESELTINE BY BACKING THE EUROPEAN CONSORTIUM BID.

HE SAID HE DID SO IN THE INTERESTS OF EEC INDUSTRY AND JOBS, AND IN SUPPORT OF LAST YEAR'S AGREEMENT BETWEEN SOME NATO NATIONS TO WORK MORE CLOSELY TOGETHER.

HE MADE IT CLEAR HE FELT THAT ACCEPTING THE AMERICAN DEAL WOULD SPLIT EUROPEAN COOPERATION EFFORTS IN DEVELOPING NEW GENERATIONS OF AIRCRAFT, WHILE OFFERING NO HOPE OF OPENING FRESH US MARKETS FOR EUROPEAN PRODUCERS, OR IMPROVING HIGH TECHNOLOGY DEVELOPMENT.

'IN THE LIGHT OF THESE ARGUMENTS I HAVE REAL DOUBTS WHETHER THE OTHER EUROPEAN PARTNERS OF WESTLAND AND THE BRITISH DEFENCE DEPARTMENT WOULD ACQUIESCE TO A COMPLETELY NEW SITUATION AND WOULD GO ON WITH BUSINESS AS USUAL,' SAID MR NARJES.

THE COMMISSION'S POWERFUL INTERVENTION AT A CRUCIAL STAGE IN THE WESTLAND BATTLE COMES DESPITE FEARS THAT BRUSSELS WILL BE ACCUSED OF INTERFERING IN DOMESTIC MATTERS.

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