

PRIME MINISTER

WESTLAND: MR. HESELTINE'S STATEMENT

I attach some "knocking copy" on Mr. Heseltine's statement. It is deliberately cast in rather polemical terms though I have cleared the facts with the Cabinet Office, DTI and Ministry of Defence. But in many cases it is not so much a matter of fact as of interpretation.

I have given a copy to Bernard to draw on with caution at the Sunday Lobby. Mr. Heseltine is of course very familiar with all the details of Westland, since he has thought about nothing else for the past month. He will not hesitate to challenge our account if we were to put it out as a formal rebuttal of his statement - and there is nothing to be gained from extended argument on the details.

I hope it may nonetheless be of use also for points to make in the House if necessary.

C.D.P.

(C.D. Powell)

10 January 1986

unfaxed
to Cheques

1. A deliberate attempt has been made to avoid addressing the issues.

Absurd to say that no attempt has been made to address the issues when the Government has been discussing Westland's future for very nearly a year. Ministers discussed it collectively on 18 June, 19 June, 16 October, 4 December, 5 December, 9 December, 12 December, 19 December and 9 January. Since 30 April there have been innumerable written exchanges examining every aspect of the question.

2. It would have been wrong for me (Mr. Heseltine) to take the lead.

"Not for me to try to take a leading role" is a considerable under-statement. At no time in the early stages did Mr. Heseltine seek to promote any discussion of Westland, nor did he identify wider issues associated with it. Indeed he rather obviously hung back from intervening in its future, and advocated a "market solution". It fell to the then Trade and Industry Secretary to argue that the retention of a fully adequate helicopter capability in this country was an essential defence interest. Indeed the whole early part of Mr. Heseltine's statement, which skates over events up until October last year, is an apologia for his failure to act, or to respond constructively to the efforts of the then Trade and Industry Secretary to find a solution.

3. It was recognised that a link with European countries would fit better into the developing pattern of European collaboration.

Mr. Heseltine's own statement shows that, far from suppressing a European option, the Government was from an early date eager to stimulate one, so that Westland would have a choice. Interestingly the first initiative came not from Mr. Heseltine but from the Trade and Industry Department. The ^{ov}acc~~o~~nt also shows that Mr. Heseltine had the encouragement of the government in devising a European option so that Westland had

a choice. The parting of the ways came because Mr. Heseltine didn't want it to be their choice: he wanted to ram his choice down Westland's throat.

4. The National Armaments Directors reached provisional agreement.

The background to the National Armaments Directors recommendation is rather murky. Two things seem certain: first, it was an initiative by Mr. Heseltine to block the Sikorsky bid, by saying that the United Kingdom and other European governments would only ever buy European designed and built helicopters. (So much for competition and value for money.) Second, Mr. Heseltine at no stage consulted his Ministerial colleagues about the NAD's recommendation which constituted a sharp change in government policy. He faced them with a fait accompli (and was then vexed when they did not meekly go along with it). Far from ensuring that Westland would have a choice, the NAD's recommendation would have eliminated a choice.

5. The Prime Minister attempted at all three meetings to remove the recommendation of NADs and overcome the refusal of colleagues to close off the European option.

The records simply do not bear out the allegation that at the three meetings in early December the Prime Minister tried to "overcome the refusal of some colleagues to close off the European option". At all these meetings the concern of the majority of colleagues was to prevent Mr. Heseltine from closing off any but the European option. It is interesting that the record of the 5 December meeting says: "Summing up the discussion, the Prime Minister said that it was clear that a majority of those present were ready to decide there and then that the Government should reject the recommendation from the National Armaments Directors, thus leaving Westland to reach their decision whether to accept the Sikorsky offer on straightforward commercial grounds. However, it was evident that this was opposed by a minority. It would therefore be

necessary to reach a decision in formal Cabinet Committee." The Prime Minister thus leaned over backwards to ensure that discussion could continue, even though Mr. Heseltine was in a minority.

6. Virtually every colleague who attended E(A) on 9 December supported Mr. Heseltine.

The idea that virtually everyone who attended the 9 December meeting of E(A) supported Mr. Heseltine is frankly laughable. Let's remember first that there was supposed to be an agreed paper by the Ministry of Defence and Department of Trade and Industry. A paper was agreed between officials of both departments, but then vetoed by Mr. Heseltine who thought it didn't go far enough his way, and put in his own paper. The minutes of that meeting - never challenged by Mr. Heseltine - simply do not sustain the claim that he had majority support. They show (a) that "a number of Ministers" would have a clear preference for the European alternative if it could be developed into a form which the Westland Board would regard as preferable; but (b) if a viable European package was not in place by 4.00 p.m. on 13 December, then the UK would not be bound by the NAD's recommendation. This was agreed as the conclusion of the meeting, and must therefore have represented the views of the majority, to which all (except Mr. Heseltine) faithfully subscribed.

7. The Prime Minister clearly stated that Ministers would meet again on Friday.

It is true that the Prime Minister mentioned at one stage that a meeting later in the week might be necessary. But there is no mention whatsoever in the minutes to a commitment to a further meeting on 13 December and none was arranged.

8. The Cabinet Office subsequently began arrangements for that meeting.

The Cabinet Office did not arrange a meeting. They checked on

the availability of Ministers if a meeting were to be necessary. It is simply untrue that the Prime Minister cancelled a meeting since one was never arranged (and she had no knowledge until well after the event of the Cabinet Office's contingency telephoning).

9. The Prime Minister refused to allow a discussion in Cabinet that day (12 December).

The memory of others present at 12 December Cabinet was that there was a discussion in Cabinet. The absence of minutes is a matter for the Cabinet Secretary. The Prime Minister was unaware that there were no minutes until Mr. Heseltine stated this publicly on 9 January.

10. The Secretary of State for Trade and Industry's statement of 16 December "left the way clear for the Sikorsky/Fiat bid".

Mr. Brittan's statement of 16 December far from "leaving the way clear for the Sikorsky bid" ensured that both sets of proposals - Sikorsky and the European consortium - could go forward on an equal footing.

11. The European Consortium's offer was "widely described as superior in every way".

It is not relevant that the European Consortium's proposals were "widely described as superior". The judgement is not for the newspapers or Mr. Heseltine; it's for the Westland Board and shareholders.

12. My request for a meeting was refused by the Prime Minister.

As a matter of record, Mr. Heseltine's only reason for seeking a meeting was to seek to deny Westland a choice and insist on the European alternative.

13. The reply to Sir John Cuckney's letter.

This is absurd. DTI are the lead department for Westland and it is natural to send letters about the company to them to draft replies in the first instance, consulting the MOD as necessary. This happened with an earlier letter from Sir John Cuckney before Christmas and evinced no complaint from Mr. Heseltine. Anyway the main question in Sir John Cuckney's letter was evidently for the DTI: would the Government continue to regard Westland as a European company if it were to accept the UTC/Fiat bid? And far from Mr. Heseltine having to ask the Law Officers to clear it, the Prime Minister's Private Secretary's letter specifically asked for Law Officers' clearance.

14. Mr. Heseltine's letter to Mr. Horne.

Since Mr. Heseltine had agreed the Prime Minister's letter to Sir John Cuckney the night before, one is entitled to ask why he found it necessary to write a separate and different letter the next day.

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This is an extraordinary assertion for which no evidence is adduced. The only person trying to change Government policy was Mr. Heseltine, through the NAD's recommendation.

16. Cabinet on 6 January.

The truth of the matter is that Mr. Heseltine wanted to retain the right to speak in favour of the European Consortium while allegedly subscribing to the Government's position of not supporting either side. When it was clear that he had no support, and that none of his colleagues was prepared to tolerate continued disloyalty to the Government's position, he resigned.

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MO 26/16/1E

I HAVE TODAY TENDERED MY RESIGNATION FROM THE GOVERNMENT. NOT BECAUSE OF THE DISCUSSION AT TODAY'S CABINET BUT BECAUSE OF THE WAY IN WHICH THE RECONSTRUCTION OF WESTLAND PLC HAS BEEN HANDLED OVER A PERIOD OF MONTHS. THIS HAS RAISED PROFOUND ISSUES ABOUT DEFENCE PROCUREMENT AND BRITAIN'S FUTURE AS A TECHNOLOGICALLY ADVANCED COUNTRY, ISSUES THAT HOWEVER HAVE NEVER BEEN PROPERLY ADDRESSED BY THE GOVERNMENT. INDEED, AS I SHALL SHOW, A DELIBERATE ATTEMPT HAS BEEN MADE TO AVOID ADDRESSING THEM. THIS IS NOT A PROPER WAY TO CARRY ON GOVERNMENT AND ULTIMATELY NOT AN APPROACH FOR WHICH I CAN SHARE RESPONSIBILITY. (1)

THE BACKGROUND TO THE GOVERNMENT'S POLICY ON HELICOPTER PROCUREMENT IS THE 1978 DECLARATION OF PRINCIPLES AGREED BY FRANCE, GERMANY, ITALY AND THE UNITED KINGDOM. THIS PROVIDED THAT EACH COUNTRY WOULD MAKE EVERY EFFORT TO MEET THEIR NEEDS WITH HELICOPTERS DEVELOPED JOINTLY IN EUROPE. THAT POLICY HAS THUS FAR BEEN FOLLOWED THROUGH IN OUR FUTURE PLANNING. IT IS ENTIRELY CONSISTENT WITH THE WIDER APPROACH TO DEFENCE PROCUREMENT SET OUT IN THE 1985 STATEMENT ON THE DEFENCE ESTIMATES WHICH EMPHASISED THE IMPORTANCE OF EUROPE COMING TOGETHER IN AN EQUAL PARTNERSHIP WITH THE UNITED STATES WITHIN THE NORTH ATLANTIC ALLIANCE. MY OWN COMMITMENT TO THAT ALLIANCE AND TO THE STRONGEST AND MOST FRIENDLY RELATIONS WITH THE UNITED STATES ON A BASIS OF EQUALITY COULD NOT BE CLEARER.

WHEN WESTLAND PLC RAN INTO FINANCIAL DIFFICULTIES,
PARTIALLY BECAUSE OF THEIR FAILURE ON THE CIVIL MARKET, THIS WAS
NOT MY IMMEDIATE MINISTERIAL RESPONSIBILITY. I AM NOT THE
SPONSORING MINISTER FOR THE HELICOPTER INDUSTRY. IT WOULD HAVE
BEEN QUITE WRONG FOR ME TO TRY TO TAKE THE LEAD ROLE IN WHAT WAS
A DTI RESPONSIBILITY. IT WOULD HAVE BEEN WRONG ALSO FOR THE
MINISTRY OF DEFENCE ALONE TO BAIL OUT THE COMPANY WITH ORDERS
FOR WHICH THERE WAS NOT AN APPROVED MILITARY REQUIREMENT. I
DID, HOWEVER, MAKE CLEAR THROUGHOUT THAT THE HELICOPTER
CAPABILITY PROVIDED BY WESTLAND WAS ESSENTIAL IN SOME FORM TO
OUR DEFENCE NEEDS.

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WHEN SIR JOHN CUCKNEY, WHO HAD BECOME THE CHAIRMAN OF
WESTLAND WITH MY FULL SUPPORT AND ENCOURAGEMENT, FIRST
APPROACHED THE GOVERNMENT ABOUT ITS ATTITUDE TO POTENTIAL
PARTNERS FOR WESTLAND, THERE WAS A CLOSE IDENTITY OF VIEW
BETWEEN THE MINISTRY OF DEFENCE AND THE DEPARTMENT OF TRADE AND
INDUSTRY. IN VIEW OF THIS IDENTITY OF VIEW, IT WAS STILL
UNNECESSARY FOR ME TO TAKE ANY DIRECT INITIATIVE. IT WAS
RECOGNISED THAT WITH A SIKORSKY SHAREHOLDING WESTLAND MIGHT TEND
TO BECOME LITTLE MORE THAN A PRODUCTION FACILITY FOR SIKORSKY
AND TO LOSE ITS OWN HELICOPTER DESIGN AND DEVELOPMENT CAPACITY,
THAT A LINK WITH EUROPEAN COMPANIES WOULD FIT BETTER INTO THE
DEVELOPING PATTERN OF EUROPEAN COLLABORATION AND THAT, IN MANY
WAYS, BRITISH AEROSPACE WOULD BE THE MOST WELCOME PARTNER. THE
NEED TO EXPLORE URGENTLY THE EUROPEAN OPTION WAS RECOMMENDED BY
THE SECRETARY OF STATE FOR TRADE AND INDUSTRY ON 4TH OCTOBER.
WHEN, ON 17TH OCTOBER, SIR JOHN CUCKNEY MET THE SECRETARY OF

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STATE FOR TRADE AND INDUSTRY HE SAID THAT HE WAS WELL AWARE OF THE GOVERNMENT'S PREFERENCE FOR A EUROPEAN MINORITY SHAREHOLDER IN WESTLAND AND ATTACHED WEIGHT TO THAT PREFERENCE. THE PROBLEM WAS HOW TO BRING THIS ABOUT IN A TIMELY WAY.

OVER THE FOLLOWING WEEKS THERE WERE A NUMBER OF DISCUSSIONS INVOLVING BOTH THE EUROPEAN COMPANIES AND WESTLAND AND CONTACTS BETWEEN EUROPEAN MINISTERS. I KEPT IN CLOSE TOUCH WITH THESE AND WITH THE FINANCIAL POSITION OF THE COMPANY. AT ONE STAGE I INTERVENED TO DIRECT THAT THE MOD'S ACCOUNTING OFFICER SHOULD MAKE A PAYMENT OF £6 MILLION TO WESTLAND THAT WAS CORRECTLY BEING WITHHELD FROM THEM ON GROUNDS OF PRUDENT GOVERNMENT ACCOUNTING BUT THAT I WAS SATISFIED SHOULD BE MADE BECAUSE OF THE WIDER ISSUES INVOLVED. AS TIME WENT ON I BECAME INCREASINGLY CONCERNED ABOUT PROGRESS IN THE DISCUSSIONS PARTICULARLY AT A COMPANY LEVEL. ON 26TH NOVEMBER, I MET SIR JOHN CUCKNEY AND DISCUSSED WITH HIM WHERE MATTERS STOOD. HE EXPLAINED THE NEED FOR URGENT ACTION AND THE ATTRACTIONS OF PARTICIPATION BY SIKORSKY. HOWEVER, HE DID NOT RULE OUT OTHER OPTIONS PROVIDED THAT THEY HAD AS MUCH TO OFFER AS THE SIKOSRKY ALTERNATIVE. HIS PROBLEM WAS THAT HE LACKED THE MANAGEMENT RESOURCES HIMSELF TO EXPLORE THEM. I ASKED IF I COULD HELP, HAVING ALREADY AGREED WITH THE SECRETARY OF STATE FOR TRADE AND INDUSTRY AND THAT THIS WAS ACCEPTABLE. HE WELCOMED MY PROPOSAL THAT I SHOULD ASSIST IN THIS PROCESS. THE LESSONS OF THE NEGOTIATIONS OVER THE EUROPEAN FIGHTER AIRCRAFT WERE IN MY VIEW CLEAR: WITHOUT MINISTERIAL INVOLVEMENT, IT WOULD BE VERY

DIFFICULT TO ACHIEVE TIMELY SUCCESS. I WAS NOT PREPARED TO SEEK THE SUPPORT OF MY EUROPEAN MINISTERIAL COLLEAGUES, UNLESS THEIR EFFORTS WOULD BE FAIRLY AND PROPERLY TREATED.

SINCE SIR JOHN CUCKNEY HAD IN NO WAY RULED OUT THE EUROPEAN ALTERNATIVE AND WELCOMED MY OFFER TO EXPLORE IT, I DISCUSSED IT WITH DR WOERNER THE FOLLOWING DAY AND ARRANGED THAT NATIONAL ARMAMENTS DIRECTORS OF THE UNITED KINGDOM, GERMANY, ITALY AND FRANCE SHOULD MEET ON 29TH NOVEMBER, AND THAT THE COMPANIES INVOLVED SHOULD ALSO COME TOGETHER THAT DAY. THE NATIONAL ARMAMENTS DIRECTORS REACHED PROVISIONAL AGREEMENT ON THE WAY FORWARD INCLUDING A RECOMMENDATION THAT, IN AN EXTENSION OF THE 1978 AGREEMENT THEIR NEEDS WITHIN THE MAIN HELICOPTER CLASSES SHOULD BE COVERED SOLELY IN THE FUTURE BY HELICOPTERS DESIGNED AND BUILT IN EUROPE. THEY ALSO AGREED TO COMPLETE THE RATIONALISATION OF THEIR REQUIREMENT FOR HELICOPTERS, CARRYING FORWARD THE OBJECTIVES SET OUT IN 1978. AS SOON AS THIS AGREEMENT HAD BEEN REACHED I PERSONALLY GAVE A COPY TO SIR JOHN CUCKNEY.

SIR JOHN CUCKNEY'S RESPONSE WAS THAT THE AGREEMENT THAT HAD NOW BEEN REACHED WOULD EFFECTIVELY PRECLUDE WESTLAND FROM PROCEEDING WITH A TIE-UP WITH SIKORSKY. THE SUBSEQUENT MINISTERIAL DISCUSSIONS TOOK PLACE ONLY IN THE CONTEXT OF THIS ISSUE, RATHER THAN THE WIDER DIMENSION OF THE GOVERNMENT'S APPROACH TO THE OWNERSHIP OF A MAJOR DEFENCE CAPABILITY. THERE WERE THREE MINISTERIAL MEETINGS CHAIRED BY THE PRIME

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(5)

THE AD-HOC MEETINGS WERE BOTH ILL-TEMPERED ATTEMPTS TO OVERCOME THE REFUSAL OF SOME COLLEAGUES TO THUS CLOSE OFF THE EUROPEAN OPTION.

THE PRIME MINISTER, FAILING TO SECURE THAT PREFERENCE, CALLED A MEETING OF THE SUB-COMMITTEE ON ECONOMIC STRATEGY ON MONDAY DECEMBER 9TH. I PROPOSED DELAY UNTIL THE FOLLOWING FRIDAY TO GIVE THE EUROPEANS TIME TO COME FORWARD WITH A PROPER PROPOSAL. IF THEY FAILED, I SAID THAT I WOULD BACK SIKORSKY.

VIRTUALLY EVERY COLLEAGUE WHO ATTENDED THE ENLARGED MEETING AND THUS CAME FRESH TO THE ARGUMENTS SUPPORTED ME, DESPITE THE FACT THAT SIR JOHN CUCKNEY HAD BEEN INVITED TO PUT HIS VIEWS TO THE MEETING.

(6)

THAT MEETING CONCLUDED THAT THE SUB-COMMITTEE WERE NOT YET READY TO REJECT THE NADS RECOMMENDATION AND A NUMBER OF MINISTERS WOULD HAVE A CLEAR PREFERENCE FOR THE EUROPEAN ALTERNATIVE TO A SIKORSKY DEAL, IF IT COULD BE DEVELOPED INTO A FORM WHICH THE WESTLAND WOULD REGARD AS PREFERABLE TO THE

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7

THE CABINET OFFICE SUBSEQUENTLY BEGAN ARRANGEMENTS FOR THAT MEETING AND A NUMBER OF WHITEHALL DEPARTMENTS WERE CONTACTED ABOUT THE AVAILABILITY OF THEIR MINISTER. THESE ARRANGEMENTS WERE, HOWEVER, CANCELLED ON THE INSTRUCTIONS OF THE PRIME MINISTER. HAVING LOST THREE TIMES, THERE WAS TO BE NO QUESTION OF RISKING A FOURTH DISCUSSION. AS A RESULT THE MEETING ON 9TH DECEMBER REPRESENTS THE ONLY OCCASION ON WHICH THERE WAS A COLLECTIVE DISCUSSION OF THE ISSUES INVOLVED, AS OPPOSED SIMPLY TO THE QUESTION OF THEIR PUBLIC HANDLING BY THE GOVERNMENT. BY 13TH DECEMBER I PRODUCED PROPOSALS FOR MINISTERIAL AGREEMENTS. A COMPLEMENTARY OFFER BY THE COMPANIES CONCERNED TO PARTICIPATE IN THE RECONSTRUCTION OF WESTLAND WAS ALSO MADE THAT DAY. THEY WERE NOT ADDRESSED COLLECTIVELY, BUT I CIRCULATED THEM TO COLLEAGUES.

8

FOLLOWING THE DECISION NOT TO PROCEED WITH THE MEETING ON 13TH DECEMBER, I SOUGHT ON A NUMBER OF OCCASIONS TO HAVE THE ISSUES PROPERLY ADDRESSED. THE FIRST ATTEMPT HAD BEEN AT THE CABINET ON THURSDAY 12TH DECEMBER. THE PRIME MINISTER REFUSED TO ALLOW A DISCUSSION IN CABINET THAT DAY. I INSISTED THAT THE CABINET SECRETARY SHOULD RECORD MY PROTEST IN THE CABINET MINUTES. WHEN THE MINUTES WERE CIRCULATED THERE WAS NO REFERENCE TO ANY DISCUSSION ABOUT WESTLAND AND CONSEQUENTLY NO RECORD OF MY PROTEST. BEFORE THE NEXT CABINET MEETING I COMPLAINED TO THE SECRETARY OF THE CABINET. HE EXPLAINED THAT THE ITEM HAD BEEN OMITTED FROM THE MINUTES AS THE RESULT OF AN ERROR AND HE SUBSEQUENTLY CIRCULATED AN ADDENDUM IN THE FORM OF A BRIEF NOTE OF THE DISCUSSION. SUCH AN ERROR AND CORRECTION WAS UNPRECEDENTED IN MY EXPERIENCE. THE MINUTES, AS FINALLY ISSUED, STILL DID NOT RECORD MY PROTEST AND I HAVE SINCE INFORMED THE SECRETARY OF THE CABINET THAT I AM STILL NOT CONTENT WITH THE WAY IN WHICH THIS DISCUSSION WAS RECORDED.

9

THE WORLD IS AWARE THAT ON DECEMBER 13TH THE BOARD OF WESTLAND REJECTED, AFTER THE BRIEFEST DISCUSSION, THE PROPOSALS PUT FORWARD BY A CONSORTIUM WHICH NOW INCLUDED BRITAIN'S LEADING AEROSPACE COMPANY, BRITISH AEROSPACE PLC.

ON 16TH DECEMBER THE SECRETARY OF STATE FOR TRADE AND INDUSTRY MADE A STATEMENT TO THE HOUSE THAT, SINCE THE WESTLAND BOARD HAD REJECTED THE BRITISH/EUROPEAN CONSORTIUM PROPOSALS, THE GOVERNMENT WAS NOT BOUND BY THE NADS RECOMMENDATION.

10

EFFECTIVELY HE THEREBY LEFT THE WAY CLEAR FOR THE SIKORSKY/FIAT
BID.

THERE FOLLOWED INCREASING CONCERN OVER THE DEFENCE
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IN SUPPORT OF THE APPROACH I WAS TAKING. I DID NOT SOLICIT THAT
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DREW ATTENTION TO THE DEFENCE IMPLICATIONS. AT THE CABINET
DISCUSSION ON 19TH DECEMBER, THERE WAS AGAIN NO ATTEMPT TO
ADDRESS THESE FUNDAMENTAL ISSUES. IT WAS LAID DOWN THAT IT WAS
THE POLICY OF THE GOVERNMENT THAT IT WAS FOR WESTLAND TO DECIDE
WHAT WAS THE BEST COURSE TO FOLLOW IN THE BEST INTERESTS OF THE
COMPANY AND ITS EMPLOYEES; THAT NO MINISTER WAS ENTITLED TO
LOBBY IN FAVOUR OF ONE PROPOSAL RATHER THAN ANOTHER; AND THAT
MAJOR ISSUES OF DEFENCE PROCUREMENT WERE FOR COLLECTIVE
DECISION. INFORMATION ABOUT THE IMPLICATIONS OF DEFENCE
PROCUREMENT FOR WESTLANDS WORKLOAD SHOULD BE MADE EQUALLY
AVAILABLE TO BOTH GROUPS AS WELL AS TO WESTLAND. I EXPLICITLY
EXPLAINED AT THAT MEETING THAT, AS THE MINISTRY OF DEFENCE WAS
THE MAJOR CUSTOMER OF WESTLAND I WAS BOUND TO ANSWER QUESTIONS
WHETHER FROM UT/FIAT OR FROM THE EUROPEAN CONSORTIUM ABOUT
DEFENCE PROCUREMENT ASPECTS. I ALSO DREW ATTENTION TO THE FACT
THAT I BELIEVED THAT ON THE FOLLOWING DAY EVENTS WOULD UNFOLD
THAT DEMANDED COLLECTIVE JUDGEMENT. I KNEW AT THE TIME, BUT
COULD NOT PROVE, THAT THE BRITISH/EUROPEAN PROPOSALS WOULD

APPEAR NEXT DAY. I THEREFORE TOLD THE CABINET THAT WHILE IT WAS
ACCEPTABLE THAT THURSDAY FOR THE GOVERNMENT TO ADOPT AN
APPARENTLY NEUTRAL APPROACH, EVENTS WOULD SHORTLY UNFOLD WHICH
WOULD DEMAND COLLECTIVE JUDGEMENT.

EVENTS DID SO UNFOLD. THE FOLLOWING DAY 20TH DECEMBER THE
BRITISH EUROPEAN CONSORTIUM PUT FORWARD AN OFFER TO WESTLAND
THAT WAS WIDELY DESCRIBED AS SUPERIOR IN EVERY WAY TO THE
SIKORSKY/FIAT ALTERNATIVE. IT WAS REJECTED OUT OF HAND BY THE
WESTLAND BOARD.

11

I WROTE ON 23RD DECEMBER TO MY COLLEAGUES SETTING OUT MY
VIEWS ON THE IMPLICATIONS OF BOTH OFFERS AND THEIR COMPARATIVE
MERITS AND ASKING THAT THE GOVERNMENT SHOULD EXERCISE ITS PROPER
RESPONSIBILITY ON SO IMPORTANT A MATTER OF DEFENCE INDUSTRIAL
POLICY. I EXPLICITLY RECOGNISED THAT THE HOLIDAY PERIOD WAS A
DIFFICULT TIME FOR SUCH A JUDGEMENT. BUT BEFORE THE DIRECTORS
CAME OUT WITH A FINAL RECOMMENDATION LAST SUNDAY, IT WOULD STILL
HAVE BEEN POSSIBLE FOR THE GOVERNMENT TO MEET AND TO RESTATE THE
PREFERENCES SO CLEARLY EXPRESSED AT THE OUTSET. MY REQUEST FOR A
MEETING WAS REFUSED BY THE PRIME MINISTER.

12

TWO FURTHER EVENTS MUST BE RECORDED. SIR JOHN CUCKNEY
WROTE ON 30TH DECEMBER TO THE PRIME MINISTER SEEKING ASSURANCES
ABOUT THE POSITION OF THE COMPANY SHOULD THEY PROCEED WITH A
SIKORSKY/FIAT LINK. THESE ASSURANCES WERE SOUGHT DIRECTLY IN
RELATION TO A LETTER SENT BY THE MINISTRY OF DEFENCE AT MY
DIRECTION TO THE COMPANY. THE FUNDAMENTAL ISSUE RAISED BY SIR
JOHN CUCKNEY RELATED TO DEFENCE PROCUREMENT ISSUES FOR WHICH I
WAS THE SECRETARY OF STATE WITH THE INDIVIDUAL MINISTERIAL
RESPONSIBILITY. IN THE PROPER CONDUCT OF GOVERNMENT BUSINESS
SIR JOHN'S LETTER WOULD HAVE BEEN REFERRED TO MY DEPARTMENT FOR

13

ADVICE AND A DRAFT REPLY. IN THIS CASE THE PRIME MINISTER'S PRIVATE SECRETARY SENT THE LETTER TO THE DEPARTMENT OF TRADE AND INDUSTRY AND ASKED FOR A DRAFT REPLY, CLEARED AS APPROPRIATE WITH OTHER DEPARTMENTS AND THE LAW OFFICERS. HE ASKED FOR IT TO BE SUBMITTED BY 4 PM THE FOLLOWING DAY. THE LETTER FROM 10 DOWNING STREET SET OUT THE LINE WHICH THE PRIME MINISTER PROPOSED TO TAKE.

WHEN I RECEIVED MY COPY OF THE LETTER THE FOLLOWING MORNING, I POINTED OUT THAT THESE WERE MATTERS WITHIN MY MINISTERIAL RESPONSIBILITY BUT THE LETTER WAS NOT TRANSFERRED TO MY DEPARTMENT FOR ANSWER. I ALSO POINTED OUT THAT THE LINE WHICH THE PRIME MINISTER PROPOSED TO TAKE WAS MATERIALLY MISLEADING. THE DEPARTMENT OF TRADE AND INDUSTRY PREPARED A DRAFT REPLY WHICH WAS REFERRED TO THE LAW OFFICERS ONLY AT MY EXPRESS REQUEST. A REPLY WITH WHICH ALL CONCERNED COULD LIVE WAS EVENTUALLY HAMMERED OUT AT ABOUT 10 PM ON NEW YEAR'S EVE.

I SUBSEQUENTLY AMPLIFIED THOSE PARTS OF THE REPLY THAT SOUGHT TO HIDE THE REALITY OF WESTLAND'S POSITION IN RELATION TO POTENTIAL EUROPEAN PARTNERS AND PROSPECTS FOR ORDERS FROM THE MINISTRY OF DEFENCE IN THE MEDIUM TERM, IN A LETTER OF 3RD JANUARY TO LLOYDS MERCHANT BANK, WHICH I COPIED TO SIR JOHN CUCKNEY.

14

I WAS INFORMED THE FOLLOWING DAY BY THE SOLICITOR-GENERAL THAT ON THE BASIS OF THE EVIDENCE WHICH HE HAD THUS FAR SEEN MY LETTER CONTAINED MATERIAL INACCURACIES. HE WROTE TO ME IN THIS SENSE ON MONDAY 6TH JANUARY. WITHIN 2 HOURS OF MY RECEIVING HIS LETTER DAMAGING SELECTIVE PASSAGES HAD BEEN LEAKED TO THE PRESS ASSOCIATION. I CANNOT COMMENT ON THE SOURCE OF THESE LEAKS ON WHICH THERE WILL NO DOUBT BE A FULL ENQUIRY IN THE NORMAL WAY. NO ONE CAN DOUBT THEIR PURPOSE. I SUBSEQUENTLY ON 6TH JANUARY SET OUT TO THE SOLICITOR-GENERAL SOME OF THE FURTHER EVIDENCE AT MY DISPOSAL ABOUT THE ATTITUDE OF OTHER GOVERNMENTS AND OTHER COMPANIES AND INFORMED LLOYDS MERCHANT BANK BY LETTER ON THAT DAY THAT MY ANSWER NEEDED NO CORRECTION.

THE GOVERNMENT, IN ITS OFFICIAL POSITION, HAS SOUGHT TO SUGGEST THAT IT HAS ADOPTED AN EVEN-HANDED APPROACH BETWEEN THE VIABLE OFFERS. IN PRACTICE THROUGHOUT THE ATTEMPT HAS BEEN MADE TO REMOVE ANY OBSTACLES TO THE OFFER BY SIKORSKY/FIAT EVEN TO THE EXTENT TO CHANGING EXISTING GOVERNMENT POLICY. ALTHOUGH, AS I EXPLAINED EARLIER, AT THE OUTSET THERE WAS A CLEAR RECOGNITION OF THE ATTRACTIONS OF INVOLVEMENT BY BRITISH AEROSPACE, I UNDERSTAND THAT LAST NIGHT THE SECRETARY FOR TRADE AND INDUSTRY, IN THE PRESENCE OF ANOTHER MINISTER IN HIS DEPARTMENT AND HIS OFFICIALS, TOLD SIR RAYMOND LYGO OF BRITISH AEROSPACE THAT THE ROLE WHICH BRITISH AEROSPACE WERE TAKING IN THE EUROPEAN CONSORTIUM WAS AGAINST THE NATIONAL INTEREST AND THAT BRITISH AEROSPACE SHOULD WITHDRAW. SO MUCH FOR THE WISH OF THE SPONSORING DEPARTMENT TO LEAVE THE MATTER TO THE SHAREHOLDERS ON

(15)

THE BASIS OF THE MOST ATTRACTIVE CHOICE AVAILABLE TO THEM.

FINALLY WE COME TO TODAY'S CABINET. IT WAS SUGGESTED THAT ANY QUESTIONS IN CONNECTION WITH THE COMPETING OFFERS FOR WESTLAND SHOULD BE REFERRED BY ALL MINISTERS TO THE CABINET OFFICE TO BE HANDLED BY THEM IN THE FIRST INSTANCE. TO HAVE DONE SO WOULD HAVE BEEN TO IMPLY DOUBT AND DELAY IN ANY AND EVERY PART OF THE ASSURANCES I HAD PUBLICLY GIVEN ON BEHALF OF MY MINISTRY AND OF MY EUROPEAN COLLEAGUES. SUCH A PROCEDURE WOULD HAVE ALLOWED THE ADVOCATES OF THE SIKORSKY PROPOSALS TO MAKE MAYHEM OVER WHAT IS NOW THE SUPERIOR BRITISH/EUROPEAN OFFER. WHILE I AGREED THAT ALL NEW POLICY ISSUES COULD BE REFERRED TO THE CABINET OFFICE, I REFUSED TO ABANDON OR QUALIFY IN ANY WAY ASSURANCES I HAVE GIVEN OR MY RIGHT AS THE RESPONSIBLE MINISTER TO ANSWER QUESTIONS ON DEFENCE PROCUREMENT ISSUES IN LINE WITH POLICIES MY COLLEAGUES HAVE NOT CONTRADICTED.

16

THE PRIME MINISTER PROPERLY SUMMED UP THE VIEW OF CABINET THAT ALL ANSWERS SHOULD BE REFERRED FOR COLLECTIVE CLEARANCE. I COULD NOT ACCEPT THAT CONSTRAINT IN THE CRITICAL FEW DAYS BEFORE THE WESTLAND SHAREHOLDERS DECIDE. I HAD NO CHOICE BUT TO ACCEPT OR TO RESIGN. I LEFT THE CABINET.

TO BE SECRETARY OF STATE FOR DEFENCE IN A TORY GOVERNMENT IS ONE OF THE HIGHEST DISTINCTIONS ONE CAN ACHIEVE.

TO SERVE AS A MEMBER OF A TORY CABINET WITHIN THE
CONSTITUTIONAL UNDERSTANDINGS AND PRACTICES OF A SYSTEM UNDER
WHICH THE PRIME MINISTER IS PRIMUS INTER PARES IS A MEMORY I
WILL ALWAYS TREASURE.

BUT IF THE BASIS OF TRUST BETWEEN THE PRIME MINISTER AND
HER DEFENCE SECRETARY NO LONGER EXISTS, THERE IS NO PLACE FOR ME
WITH HONOUR IN SUCH A CABINET.

3 copies psl.

MO 26/16/1E

I HAVE TODAY TENDERED MY RESIGNATION FROM THE GOVERNMENT. NOT BECAUSE OF THE DISCUSSION AT TODAY'S CABINET BUT BECAUSE OF THE WAY IN WHICH THE RECONSTRUCTION OF WESTLAND PLC HAS BEEN HANDLED OVER A PERIOD OF MONTHS. THIS HAS RAISED PROFOUND ISSUES ABOUT DEFENCE PROCUREMENT AND BRITAIN'S FUTURE AS A TECHNOLOGICALLY ADVANCED COUNTRY, ISSUES THAT HOWEVER HAVE NEVER BEEN PROPERLY ADDRESSED BY THE GOVERNMENT. INDEED, AS I SHALL SHOW, A DELIBERATE ATTEMPT HAS BEEN MADE TO AVOID ADDRESSING THEM. THIS IS NOT A PROPER WAY TO CARRY ON GOVERNMENT AND ULTIMATELY NOT AN APPROACH FOR WHICH I CAN SHARE RESPONSIBILITY.

THE BACKGROUND TO THE GOVERNMENT'S POLICY ON HELICOPTER PROCUREMENT IS THE 1978 DECLARATION OF PRINCIPLES AGREED BY FRANCE, GERMANY, ITALY AND THE UNITED KINGDOM. THIS PROVIDED THAT EACH COUNTRY WOULD MAKE EVERY EFFORT TO MEET THEIR NEEDS WITH HELICOPTERS DEVELOPED JOINTLY IN EUROPE. THAT POLICY HAS THUS FAR BEEN FOLLOWED THROUGH IN OUR FUTURE PLANNING. IT IS ENTIRELY CONSISTENT WITH THE WIDER APPROACH TO DEFENCE PROCUREMENT SET OUT IN THE 1985 STATEMENT ON THE DEFENCE ESTIMATES WHICH EMPHASISED THE IMPORTANCE OF EUROPE COMING TOGETHER IN AN EQUAL PARTNERSHIP WITH THE UNITED STATES WITHIN THE NORTH ATLANTIC ALLIANCE. MY OWN COMMITMENT TO THAT ALLIANCE AND TO THE STRONGEST AND MOST FRIENDLY RELATIONS WITH THE UNITED STATES ON A BASIS OF EQUALITY COULD NOT BE CLEARER.

WHEN WESTLAND PLC RAN INTO FINANCIAL DIFFICULTIES, PARTIALLY BECAUSE OF THEIR FAILURE ON THE CIVIL MARKET, THIS WAS NOT MY IMMEDIATE MINISTERIAL RESPONSIBILITY. I AM NOT THE SPONSORING MINISTER FOR THE HELICOPTER INDUSTRY. IT WOULD HAVE BEEN QUITE WRONG FOR ME TO TRY TO TAKE THE LEAD ROLE IN WHAT WAS A DTI RESPONSIBILITY. IT WOULD HAVE BEEN WRONG ALSO FOR THE MINISTRY OF DEFENCE ALONE TO BAIL OUT THE COMPANY WITH ORDERS FOR WHICH THERE WAS NOT AN APPROVED MILITARY REQUIREMENT. I DID, HOWEVER, MAKE CLEAR THROUGHOUT THAT THE HELICOPTER CAPABILITY PROVIDED BY WESTLAND WAS ESSENTIAL IN SOME FORM TO OUR DEFENCE NEEDS.

WHEN SIR JOHN CUCKNEY, WHO HAD BECOME THE CHAIRMAN OF WESTLAND WITH MY FULL SUPPORT AND ENCOURAGEMENT, FIRST APPROACHED THE GOVERNMENT ABOUT ITS ATTITUDE TO POTENTIAL PARTNERS FOR WESTLAND, THERE WAS A CLOSE IDENTITY OF VIEW BETWEEN THE MINISTRY OF DEFENCE AND THE DEPARTMENT OF TRADE AND INDUSTRY. IN VIEW OF THIS IDENTITY OF VIEW, IT WAS STILL UNNECESSARY FOR ME TO TAKE ANY DIRECT INITIATIVE. IT WAS RECOGNISED THAT WITH A SIKORSKY SHAREHOLDING WESTLAND MIGHT TEND TO BECOME LITTLE MORE THAN A PRODUCTION FACILITY FOR SIKORSKY AND TO LOSE ITS OWN HELICOPTER DESIGN AND DEVELOPMENT CAPACITY, THAT A LINK WITH EUROPEAN COMPANIES WOULD FIT BETTER INTO THE DEVELOPING PATTERN OF EUROPEAN COLLABORATION AND THAT, IN MANY WAYS, BRITISH AEROSPACE WOULD BE THE MOST WELCOME PARTNER. THE NEED TO EXPLORE URGENTLY THE EUROPEAN OPTION WAS RECOMMENDED BY THE SECRETARY OF STATE FOR TRADE AND INDUSTRY ON 4TH OCTOBER. WHEN, ON 17TH OCTOBER, SIR JOHN CUCKNEY MET THE SECRETARY OF

STATE FOR TRADE AND INDUSTRY HE SAID THAT HE WAS WELL AWARE OF THE GOVERNMENT'S PREFERENCE FOR A EUROPEAN MINORITY SHAREHOLDER IN WESTLAND AND ATTACHED WEIGHT TO THAT PREFERENCE. THE PROBLEM WAS HOW TO BRING THIS ABOUT IN A TIMELY WAY.

OVER THE FOLLOWING WEEKS THERE WERE A NUMBER OF DISCUSSIONS INVOLVING BOTH THE EUROPEAN COMPANIES AND WESTLAND AND CONTACTS BETWEEN EUROPEAN MINISTERS. I KEPT IN CLOSE TOUCH WITH THESE AND WITH THE FINANCIAL POSITION OF THE COMPANY. AT ONE STAGE I INTERVENED TO DIRECT THAT THE MOD'S ACCOUNTING OFFICER SHOULD MAKE A PAYMENT OF £6 MILLION TO WESTLAND THAT WAS CORRECTLY BEING WITHHELD FROM THEM ON GROUNDS OF PRUDENT GOVERNMENT ACCOUNTING BUT THAT I WAS SATISFIED SHOULD BE MADE BECAUSE OF THE WIDER ISSUES INVOLVED. AS TIME WENT ON I BECAME INCREASINGLY CONCERNED ABOUT PROGRESS IN THE DISCUSSIONS PARTICULARLY AT A COMPANY LEVEL. ON 26TH NOVEMBER, I MET SIR JOHN CUCKNEY AND DISCUSSED WITH HIM WHERE MATTERS STOOD. HE EXPLAINED THE NEED FOR URGENT ACTION AND THE ATTRACTIONS OF PARTICIPATION BY SIKORSKY. HOWEVER, HE DID NOT RULE OUT OTHER OPTIONS PROVIDED THAT THEY HAD AS MUCH TO OFFER AS THE SIKOSRKY ALTERNATIVE. HIS PROBLEM WAS THAT HE LACKED THE MANAGEMENT RESOURCES HIMSELF TO EXPLORE THEM. I ASKED IF I COULD HELP, HAVING ALREADY AGREED WITH THE SECRETARY OF STATE FOR TRADE AND INDUSTRY AND THAT THIS WAS ACCEPTABLE. HE WELCOMED MY PROPOSAL THAT I SHOULD ASSIST IN THIS PROCESS. THE LESSONS OF THE NEGOTIATIONS OVER THE EUROPEAN FIGHTER AIRCRAFT WERE IN MY VIEW CLEAR: WITHOUT MINISTERIAL INVOLVEMENT, IT WOULD BE VERY

DIFFICULT TO ACHIEVE TIMELY SUCCESS. I WAS NOT PREPARED TO SEEK THE SUPPORT OF MY EUROPEAN MINISTERIAL COLLEAGUES, UNLESS THEIR EFFORTS WOULD BE FAIRLY AND PROPERLY TREATED.

SINCE SIR JOHN CUCKNEY HAD IN NO WAY RULED OUT THE EUROPEAN ALTERNATIVE AND WELCOMED MY OFFER TO EXPLORE IT, I DISCUSSED IT WITH DR WOERNER THE FOLLOWING DAY AND ARRANGED THAT NATIONAL ARMAMENTS DIRECTORS OF THE UNITED KINGDOM, GERMANY, ITALY AND FRANCE SHOULD MEET ON 29TH NOVEMBER, AND THAT THE COMPANIES INVOLVED SHOULD ALSO COME TOGETHER THAT DAY. THE NATIONAL ARMAMENTS DIRECTORS REACHED PROVISIONAL AGREEMENT ON THE WAY FORWARD INCLUDING A RECOMMENDATION THAT, IN AN EXTENSION OF THE 1978 AGREEMENT THEIR NEEDS WITHIN THE MAIN HELICOPTER CLASSES SHOULD BE COVERED SOLELY IN THE FUTURE BY HELICOPTERS DESIGNED AND BUILT IN EUROPE. THEY ALSO AGREED TO COMPLETE THE RATIONALISATION OF THEIR REQUIREMENT FOR HELICOPTERS, CARRYING FORWARD THE OBJECTIVES SET OUT IN 1978. AS SOON AS THIS AGREEMENT HAD BEEN REACHED I PERSONALLY GAVE A COPY TO SIR JOHN CUCKNEY.

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WHAT WAS THE BEST COURSE TO FOLLOW IN THE BEST INTERESTS OF THE
COMPANY AND ITS EMPLOYEES; THAT NO MINISTER WAS ENTITLED TO
LOBBY IN FAVOUR OF ONE PROPOSAL RATHER THAN ANOTHER; AND THAT
MAJOR ISSUES OF DEFENCE PROCUREMENT WERE FOR COLLECTIVE
DECISION. INFORMATION ABOUT THE IMPLICATIONS OF DEFENCE
PROCUREMENT FOR WESTLANDS WORKLOAD SHOULD BE MADE EQUALLY
AVAILABLE TO BOTH GROUPS AS WELL AS TO WESTLAND. I EXPLICITLY
EXPLAINED AT THAT MEETING THAT, AS THE MINISTRY OF DEFENCE WAS
THE MAJOR CUSTOMER OF WESTLAND I WAS BOUND TO ANSWER QUESTIONS
WHETHER FROM UT/FIAT OR FROM THE EUROPEAN CONSORTIUM ABOUT
DEFENCE PROCUREMENT ASPECTS. I ALSO DREW ATTENTION TO THE FACT
THAT I BELIEVED THAT ON THE FOLLOWING DAY EVENTS WOULD UNFOLD
THAT DEMANDED COLLECTIVE JUDGEMENT. I KNEW AT THE TIME, BUT
COULD NOT PROVE, THAT THE BRITISH/EUROPEAN PROPOSALS WOULD

APPEAR NEXT DAY. I THEREFORE TOLD THE CABINET THAT WHILE IT WAS
ACCEPTABLE THAT THURSDAY FOR THE GOVERNMENT TO ADOPT AN
APPARENTLY NEUTRAL APPROACH, EVENTS WOULD SHORTLY UNFOLD WHICH
WOULD DEMAND COLLECTIVE JUDGEMENT.

EVENTS DID SO UNFOLD. THE FOLLOWING DAY 20TH DECEMBER THE BRITISH EUROPEAN CONSORTIUM PUT FORWARD AN OFFER TO WESTLAND THAT WAS WIDELY DESCRIBED AS SUPERIOR IN EVERY WAY TO THE SIKORSKY/FIAT ALTERNATIVE. IT WAS REJECTED OUT OF HAND BY THE WESTLAND BOARD.

I WROTE ON 23RD DECEMBER TO MY COLLEAGUES SETTING OUT MY VIEWS ON THE IMPLICATIONS OF BOTH OFFERS AND THEIR COMPARATIVE MERITS AND ASKING THAT THE GOVERNMENT SHOULD EXERCISE ITS PROPER RESPONSIBILITY ON SO IMPORTANT A MATTER OF DEFENCE INDUSTRIAL POLICY. I EXPLICITLY RECOGNISED THAT THE HOLIDAY PERIOD WAS A DIFFICULT TIME FOR SUCH A JUDGEMENT. BUT BEFORE THE DIRECTORS CAME OUT WITH A FINAL RECOMMENDATION LAST SUNDAY, IT WOULD STILL HAVE BEEN POSSIBLE FOR THE GOVERNMENT TO MEET AND TO RESTATE THE PREFERENCES SO CLEARLY EXPRESSED AT THE OUTSET. MY REQUEST FOR A MEETING WAS REFUSED BY THE PRIME MINISTER.

TWO FURTHER EVENTS MUST BE RECORDED. SIR JOHN CUCKNEY WROTE ON 30TH DECEMBER TO THE PRIME MINISTER SEEKING ASSURANCES ABOUT THE POSITION OF THE COMPANY SHOULD THEY PROCEED WITH A SIKORSKY/FIAT LINK. THESE ASSURANCES WERE SOUGHT DIRECTLY IN RELATION TO A LETTER SENT BY THE MINISTRY OF DEFENCE AT MY DIRECTION TO THE COMPANY. THE FUNDAMENTAL ISSUE RAISED BY SIR JOHN CUCKNEY RELATED TO DEFENCE PROCUREMENT ISSUES FOR WHICH I WAS THE SECRETARY OF STATE WITH THE INDIVIDUAL MINISTERIAL RESPONSIBILITY. IN THE PROPER CONDUCT OF GOVERNMENT BUSINESS SIR JOHN'S LETTER WOULD HAVE BEEN REFERRED TO MY DEPARTMENT FOR

ADVICE AND A DRAFT REPLY. IN THIS CASE THE PRIME MINISTER'S PRIVATE SECRETARY SENT THE LETTER TO THE DEPARTMENT OF TRADE AND INDUSTRY AND ASKED FOR A DRAFT REPLY, CLEARED AS APPROPRIATE WITH OTHER DEPARTMENTS AND THE LAW OFFICERS. HE ASKED FOR IT TO BE SUBMITTED BY 4 PM THE FOLLOWING DAY. THE LETTER FROM 10 DOWNING STREET SET OUT THE LINE WHICH THE PRIME MINISTER PROPOSED TO TAKE.

WHEN I RECEIVED MY COPY OF THE LETTER THE FOLLOWING MORNING, I POINTED OUT THAT THESE WERE MATTERS WITHIN MY MINISTERIAL RESPONSIBILITY BUT THE LETTER WAS NOT TRANSFERRED TO MY DEPARTMENT FOR ANSWER. I ALSO POINTED OUT THAT THE LINE WHICH THE PRIME MINISTER PROPOSED TO TAKE WAS MATERIALLY MISLEADING. THE DEPARTMENT OF TRADE AND INDUSTRY PREPARED A DRAFT REPLY WHICH WAS REFERRED TO THE LAW OFFICERS ONLY AT MY EXPRESS REQUEST. A REPLY WITH WHICH ALL CONCERNED COULD LIVE WAS EVENTUALLY HAMMERED OUT AT ABOUT 10 PM ON NEW YEAR'S EVE.

I SUBSEQUENTLY AMPLIFIED THOSE PARTS OF THE REPLY THAT SOUGHT TO HIDE THE REALITY OF WESTLAND'S POSITION IN RELATION TO POTENTIAL EUROPEAN PARTNERS AND PROSPECTS FOR ORDERS FROM THE MINISTRY OF DEFENCE IN THE MEDIUM TERM, IN A LETTER OF 3RD JANUARY TO LLOYDS MERCHANT BANK, WHICH I COPIED TO SIR JOHN CUCKNEY.

I WAS INFORMED THE FOLLOWING DAY BY THE SOLICITOR-GENERAL THAT ON THE BASIS OF THE EVIDENCE WHICH HE HAD THUS FAR SEEN MY LETTER CONTAINED MATERIAL INACCURACIES. HE WROTE TO ME IN THIS SENSE ON MONDAY 6TH JANUARY. WITHIN 2 HOURS OF MY RECEIVING HIS LETTER DAMAGING SELECTIVE PASSAGES HAD BEEN LEAKED TO THE PRESS ASSOCIATION. I CANNOT COMMENT ON THE SOURCE OF THESE LEAKS ON WHICH THERE WILL NO DOUBT BE A FULL ENQUIRY IN THE NORMAL WAY. NO ONE CAN DOUBT THEIR PURPOSE. I SUBSEQUENTLY ON 6TH JANUARY SET OUT TO THE SOLICITOR-GENERAL SOME OF THE FURTHER EVIDENCE AT MY DISPOSAL ABOUT THE ATTITUDE OF OTHER GOVERNMENTS AND OTHER COMPANIES AND INFORMED LLOYDS MERCHANT BANK BY LETTER ON THAT DAY THAT MY ANSWER NEEDED NO CORRECTION.

THE GOVERNMENT, IN ITS OFFICIAL POSITION, HAS SOUGHT TO SUGGEST THAT IT HAS ADOPTED AN EVEN-HANDED APPROACH BETWEEN THE VIABLE OFFERS. IN PRACTICE THROUGHOUT THE ATTEMPT HAS BEEN MADE TO REMOVE ANY OBSTACLES TO THE OFFER BY SIKORSKY/FIAT EVEN TO THE EXTENT TO CHANGING EXISTING GOVERNMENT POLICY. ALTHOUGH, AS I EXPLAINED EARLIER, AT THE OUTSET THERE WAS A CLEAR RECOGNITION OF THE ATTRACTIONS OF INVOLVEMENT BY BRITISH AEROSPACE, I UNDERSTAND THAT LAST NIGHT THE SECRETARY FOR TRADE AND INDUSTRY, IN THE PRESENCE OF ANOTHER MINISTER IN HIS DEPARTMENT AND HIS OFFICIALS, TOLD SIR RAYMOND LYGO OF BRITISH AEROSPACE THAT THE ROLE WHICH BRITISH AEROSPACE WERE TAKING IN THE EUROPEAN CONSORTIUM WAS AGAINST THE NATIONAL INTEREST AND THAT BRITISH AEROSPACE SHOULD WITHDRAW. SO MUCH FOR THE WISH OF THE SPONSORING DEPARTMENT TO LEAVE THE MATTER TO THE SHAREHOLDERS ON

THE BASIS OF THE MOST ATTRACTIVE CHOICE AVAILABLE TO THEM.

FINALLY WE COME TO TODAY'S CABINET. IT WAS SUGGESTED THAT ANY QUESTIONS IN CONNECTION WITH THE COMPETING OFFERS FOR WESTLAND SHOULD BE REFERRED BY ALL MINISTERS TO THE CABINET OFFICE TO BE HANDLED BY THEM IN THE FIRST INSTANCE. TO HAVE DONE SO WOULD HAVE BEEN TO IMPLY DOUBT AND DELAY IN ANY AND EVERY PART OF THE ASSURANCES I HAD PUBLICLY GIVEN ON BEHALF OF MY MINISTRY AND OF MY EUROPEAN COLLEAGUES. SUCH A PROCEDURE WOULD HAVE ALLOWED THE ADVOCATES OF THE SIKORSKY PROPOSALS TO MAKE MAYHEM OVER WHAT IS NOW THE SUPERIOR BRITISH/EUROPEAN OFFER. WHILE I AGREED THAT ALL NEW POLICY ISSUES COULD BE REFERRED TO THE CABINET OFFICE, I REFUSED TO ABANDON OR QUALIFY IN ANY WAY ASSURANCES I HAVE GIVEN OR MY RIGHT AS THE RESPONSIBLE MINISTER TO ANSWER QUESTIONS ON DEFENCE PROCUREMENT ISSUES IN LINE WITH POLICIES MY COLLEAGUES HAVE NOT CONTRADICTED.

THE PRIME MINISTER PROPERLY SUMMED UP THE VIEW OF CABINET THAT ALL ANSWERS SHOULD BE REFERRED FOR COLLECTIVE CLEARANCE. I COULD NOT ACCEPT THAT CONSTRAINT IN THE CRITICAL FEW DAYS BEFORE THE WESTLAND SHAREHOLDERS DECIDE. I HAD NO CHOICE BUT TO ACCEPT OR TO RESIGN. I LEFT THE CABINET.

TO BE SECRETARY OF STATE FOR DEFENCE IN A TORY GOVERNMENT IS ONE OF THE HIGHEST DISTINCTIONS ONE CAN ACHIEVE.

TO SERVE AS A MEMBER OF A TORY CABINET WITHIN THE
CONSTITUTIONAL UNDERSTANDINGS AND PRACTICES OF A SYSTEM UNDER
WHICH THE PRIME MINISTER IS PRIMUS INTER PARES IS A MEMORY I
WILL ALWAYS TREASURE.

BUT IF THE BASIS OF TRUST BETWEEN THE PRIME MINISTER AND
HER DEFENCE SECRETARY NO LONGER EXISTS, THERE IS NO PLACE FOR ME
WITH HONOUR IN SUCH A CABINET.