



Secretary of State for Trade and Industry

**SECRET**

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28 July 1986

The Rt Hon George Younger MP  
Secretary of State for Defence  
Ministry of Defence  
Main Building  
Whitehall  
LONDON  
SW1

Dear George,

*Done Minister*  
The proposal is to have an E(A) discussion in early September on possible Government measures to support Westland, through orders or otherwise, on the basis of a joint paper by FCO & MOD

**WESTLAND**

In my letter of 17 July, I suggested that we should have a discussion of the position of Westland following the presentation the company had made to our officials. As you will know, Westland have now written setting out a number of areas in which they seek decisions from Government in order to help them to implement their strategy. The purpose of this letter is to suggest how we should take forward our consideration of this matter.

For the benefit of colleagues, I should first outline the position of Westland's helicopter business as the company have presented it to us. The capital reconstruction approved by shareholders in February has secured the financial position of the company, but the Helicopter Division still faces a shortage of orders. Westland believe their major future helicopter projects provide the basis for a viable helicopter operation from the mid-1990s onwards, but in the short-term the company does not have enough orders to sustain its helicopter business at a viable level. Although the licence from Sikorsky to sell Black Hawk has increased the opportunities Westland have to fill their workload gap through exports, Westland still need orders for some 60 additional helicopters, over and above prospects so far identified, to produce an adequate workload for the years 1989 to 1992. Against this background Westland have sought various Government measures

*WILL REQUEST IF REQUIRED of a joint paper by FCO & MOD*  
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including direct MoD orders for new helicopters; a range of actions on existing MoD business designed both to provide more work for Westland and to benefit the company's export efforts; and improved export support in the fields of credit cover, finance and licensing.

We should not minimise the potential seriousness of the situation which clearly also has important political implications. Westland have not spelt out precisely what actions they might take, or on what timescale, if they are unable to fill the workload gap, but at the extreme, they could conclude that they should substantially withdraw from the helicopter business - they believe the company could have a profitable future through concentrating on the expansion of its technologies business. Even if their action fell short of this extreme step, substantial redundancies and plant closures would be likely.

The matters raised by Westland undoubtedly raise major problems for the Government. I believe we must address the underlying point that in planning their strategy Westland need a clear understanding of the Government's requirements. As long ago as October 1984 the then Chairman of Westland said the company needed a much more precise view of the Government's intentions, which was crucial to their management, industrial planning and marketing. That remains the position.

I hope you will agree that there should be an opportunity for a collective discussion before a formal response is made to Westland. I understand our officials are already working on a review of the areas identified by Westland. I suggest they should be asked to produce a statement of the options by the end of August, which could provide a basis for a discussion in E(A) in the early part of September. In the meantime I suggest that you and I should have a preliminary discussion, and might also see Sir John Cuckney to explain the timescale on which we intend to handle this matter, and to seek more specific information from him on the consequences for Westland if increased helicopter business in the years 1989 to 1992 cannot be obtained.

I am sending copies of this letter to the Prime Minister, the other members of E(A), and to Sir Robert Armstrong.

*Y  
ms,*  
*Paul*  
PAUL CHANNON

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