



MO 26/16/1E

PRIME MINISTERWESTLAND PLC

Prime Minister
 We have some time
 in hand: but the
 problem is in essence
 the same as we faced
 18 months ago, if
 less acute. CDP
 24/9

We had planned to have a discussion at E(A) this week about the difficulties facing Westland and the various Government measures they have sought which would provide the company with more work. The issues were set out in the Secretary of State for Trade and Industry's letter of 28th July. ^{at Tiap PTS} As a preliminary to the E(A) discussion, Paul Channon and I met Sir John Cuckney on 11th September to hear from him the prospects for the company.

2. Sir John said that Westland was now a transformed company and he expected to announce in December profits before tax of about £30M for this financial year. However, while Westland was currently fairly healthy, the gap in the order book of the helicopter division in the period 1989 to 1992 was a major problem. There were prospects of major exports, for example in the Middle East, tied to early development of the RTM322 engine for Blackhawk, and of the EH101 to Canada. But the company still needed additional British Government orders to sustain the helicopter division at a minimum viable level. If they were not forthcoming it would be necessary to consider running down the helicopter design, development and manufacturing capability to protect the shareholders' interests. This would affect the company's ability to take part in collaborative projects such as EH101, and could



also have consequences for the support of the MOD's fleet of helicopters. The site at Weston-Super-Mare might close and there could be redundancies of about 1,500 in addition to the 1,000 already planned over the next two to three years.

3. Sir John Cuckney said that the company needed to know where it stood before March 1987. Thereafter, it would take whatever steps were necessary to avoid drifting into a new financial crisis. We therefore have time to consider in a measured way the scope and justification, if any, for Government action - whether by the MOD or DTI - and I have agreed with the Secretary of State for Trade and Industry that an early meeting of E(A) is not now necessary.

4. I intend to reach a view on the defence requirement for support helicopters by the end of the year, although, as I told Sir John, the prospects for orders in the short term are not encouraging because of pressures on the defence budget. I have also asked my officials, in consultation with those in the DTI, to assess whether it is of strategic importance to maintain an indigenous design, development and manufacturing capability for helicopters and, if so, at what level and the cost of doing so. As an element in this further work, they will need to explore in more detail with Westland the basis of the company's estimates of its future workload, including civil, export and non-helicopter business, as well as Government orders. We can then consider collectively early in the New Year the issues arising.



5. I am copying this minute to the members of E(A) and to Sir Robert Armstrong.

A.Y.

Ministry of Defence

23rd September 1986

AGROSPACE Westlands PT6.

