

SECRET


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heak to the OBSERVER

relating to WESTLAND

SECURITY

January 1986

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
30.12.85							
2.1.86							
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5.2.86							
7.4.86							
19.4.86							

PREM 19/2849

Cabinet / Cabinet Committee Document

The following document, which was enclosed on this file, has been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES.

Reference: CC (86) 3rd Conclusions, Minute 1

Date: 23 January 1986

Signed Wayland Date 25 October 2016

PREM Records Team

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Handwritten initials "AT" and "Miss Phillips" with a checkmark.

10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBIN BUTLER

SELECT COMMITTEE ON DEFENCE

cc Miss Phillips,
OMCS

Can I bring you up to date? In my note on 10 May, I reported that the matter had been remitted to the Clerk for further advice. He produced a letter, copy attached, which was sent to Sir Leon Brittan quibbling further over alleged differences between Sir Leon's letter of 28 April, the statements made in 1986, and the transcript of the broadcasting on 7 April.

Sir Leon, who is becoming more and more exasperated, has replied to the Committee along the following lines (I have not seen an exact text):

"I do not wish to be unhelpful, but I can add no more than repeat what I said in the House on 27 January 1986, viz,

My rt. hon. Friend the Prime Minister has set out the facts relating to what has been called the "Westland Saga", and particularly the circumstances relating to the disclosure of information contained in a letter of my hon. and learned Friend the Solicitor-General. She has done so in great detail. Some of the facts only she can know about whereas in other events I myself was closely involved. I can and do confirm that with regard to the facts within my knowledge, the account of my rt. hon. Friend the Prime Minister is correct."

The matter now rests with the Committee. It remains to be seen whether they still see mileage in pursuing it in the face of such dead bat tactics. The difficulty Mr. Mates faces is that he cannot be absolutely sure of being able to kill it should a vote be called.

This account is based on informal reports we have had of the proceedings of the Committee and needs to be handled with care in preparing any response to PQs or correspondence.

Handwritten initials "AT".

ANDREW TURNBULL

16 June 1989

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COMMITTEE OFFICE
 HOUSE OF COMMONS
 LONDON SW1A 0AA
 BT 2-9 3280 Direct Line
 01 319 3000 Switchboard

taken off
 Westland
 ALS

DEFENCE COMMITTEE

24 May 1989

PRIVATE

Dear Sir Leon,

The Select Committee on Defence have given careful consideration to your letter of 28 April 1989 to me. They have instructed me to write to you again in respect of some particular aspects.

You say in your letter "I should make it clear, however, that in the interview I did not add anything to the substance of what I had previously said about this matter..." The Committee are of course aware that, at the time of the events in question, you made it clear that "it all had to be subject to the agreement of No 10". They do not, however, recall that at the time you asserted in any way that the express approval of officials at No 10 was actually obtained. In the interview broadcast on 7 April, you said that

"the release of the Solicitor-General's letter was something which was approved by Mr Charles Powell, the relevant Private Secretary at No 10, and it was approved by Mr Bernard Ingham, the Prime Minister's Press Secretary."

The Committee find some difficulty in reconciling this unqualified statement with the conclusion of Sir Robert Armstrong's inquiry that there was a "difference of understanding between officials as to exactly what was being sought and what was being given", and they would be grateful for any clarification that you can offer upon this point.

In your letter of 28 April you repeat the terms of part of what the Prime Minister said to the House on 27 January 1986, although you do not explicitly endorse those terms. The Committee have asked me to inquire whether you are able to give an unqualified endorsement of what the Prime Minister told the House on 27 January 1986.

It would be very helpful to have your reply by Tuesday 6 June. Any such reply would be subject to the rules of the House relating to evidence taken by Select Committees.

The Committee have asked me to say that, should for any reason you wish it, they are ready to hear oral evidence from you on any aspect of the matter, at a time convenient to you. They would expect to take such evidence in private unless you wished otherwise.

They have also asked that you regard this letter as private communication between the Committee and yourself.

I would be grateful if you would acknowledge receipt of this letter, which is being sent by courier.

Yours sincerely,
Robert Rogers

Robert Rogers
Clerk of the Committee

The Rt Hon Sir Leon Brittan, QC
Member of The Commission of the European Communities
Rue de la Loi 200
1049 BRUSSELS

PRIME MINISTER

cc Mr. Ingham
Mr. Powell

FILE
AF

WESTLAND

The Defence Select Committee decided to follow the course of asking Sir Leon if he stood by his remarks to see if there is a basis for reopening the inquiry. I will brief Press Office to correct any suggestions that the inquiry has been reopened. I have no details yet of who took what line. Though it seems that Barney Hayhoe and John Wilkinson favoured pursuing the issue, I am told that John Cartwright (SDP) and Bruce George are unenthusiastic.

(ANDREW TURNBULL)

19 April 1989

FILE

870

PRIME MINISTER

MR. SPEARING'S PQ TO THE LORD PRESIDENT

Mr. Spearing is trying to make the point that Sir Leon's remarks in the C4 programme were the first time that either you, Sir Leon, or Sir Robert had mentioned Charles and Bernard and were in that sense "new". But the Report of the Select Committee mentioned names and the Government did not seek to correct those references in its response. Although we would not want to endorse the Report in all respects, we can rely on it in this one.

Content with this answer?

Also attached is the transcript of the C4 programme. The relevant passage is at pages 26-30.

(ANDREW TURNBULL)

7 April 1989

BBC1

6 O'CLOCK NEWS

APRIL 5, 1989

18.00

TREVOR MACDONALD (Newsreader):

The Westland affair has been re-opened.

Two officials at Number 10 have been named by Sir Leon Brittan as the men who authorised the leak which cost him his job. The two officials are the Prime Minister's Private Secretary and

her Press Secretary.

Three years after the Westland affair gave the Government one of its most uncomfortable moments one of its central characters has revealed new details about what really happened.

Sir Leon Brittan, the man who had to resign as Industry Secretary, has named two of the Prime Minister's closest advisers as the people who authorised the leak of a central document.

The document was a letter from the Solicitor-General which was helpful to the Prime Minister's position. The civil servants who are named by Sir Leon are Charles Powell (phonetic), who was then Mrs Thatcher's Private Secretary and Bernard Ingham, the Prime Minister's Press Secretary.

At the time Sir Leon took much of the blame for the leak, now he says there would have been no leak without the express approval from Number 10.

Tonight Paddy Ashdown, the Democrats' leader said, 'the dark secret of Westland is now being unraveled.

The Prime Minister has always denied that she knew about the leak. Now the Labour Party is demanding a statement to the House of Commons.

PETER ALLEN (Reporting):

Sir Leon Brittan, now a European Commissioner in Brussels, has gone further than ever before in naming names and pointing the finger directly at the inner counsels of Number 10. Part of the letter from the Solicitor-General to the then Defence Secretary Michael Heseltine, were leaked by a press officer in Sir Leon's Trade and Industry Department. It was intended to undermine Mr Heseltine who was campaigning for a European stake in the Westland Helicopter firm and, in the bitter internal Cabinet battle, was opposed by Sir Leon and the Prime Minister.

The leak led directly to Mr Heseltine's

dramatic walk-out from the Cabinet and later to Sir Leon's resignation too. But even a Select Committee inquiry failed to establish just who had approved the leak. In this new interview Sir Leon makes that clear.

SIR LEON BRITTAN (Excerpt from interview):

Well, the release of the Solicitor-General's letter was something which was approved by Mr Charles Powell, the relevant Private Secretary at Number 10, and it was approved by Mr Bernard Ingham, the Prime Minister's Press Secretary.

PETER ALLEN:

This goes further than Sir Leon's own previous statements in Parliament in which he merely indicated the leak had had the tacit agreement of Number 10. Now he says it was directly approved by two of the Prime Minister's closest advisers, Charles Powell, her Private Secretary and Bernard Ingham, her Press Officer.

This will increase the suspicions that some people have held that Mrs Thatcher must have known despite her denials that she was

consulted.

Today Labour MP, Dr John Gilbert, who led the intense questioning in the Defence Select Committee's investigation into the Westland affair, says the truth is now unravelling and the Prime Minister must have been involved.

JOHN GILBERT, MP (Labour):

I don't know if she was party to the fact that the letter was going to be, as I say, leaked in a very tendentious and damaging way to Secretary of State for Defence at that time, Mr Heseltine, but I'm sure that Powell and Ingham would not have done what they did unless they were totally confident that they had the Prime Minister's backing for it.

PETER ALLEN:

Mr Heseltine remained tight-lipped today.

MICHAEL HESELTINE:

I made a very full statement the day I left the Government, I have neither added to nor subtracted from that statement since, and I

don't intend to do so now.

PETER ALLEN:

Bernard Ingham briskly said he had no comment whatsoever, but Labour's John Smith, who was at the time Sir Leon's Shadow, called today for a Prime Ministerial statement.

But the ghost of Westland still seems to haunt this government and it's now widely expected that there will be further revelations emerging from those whose careers were blighted by the affair.

PRESENTER:

Part of that was taken from a Channel 4 interview with Sir Leon Brittan.

END

ITV

NEWS AT 5.40

APRIL 5, 1989

17.40

TREVOR MacDONALD (Presenter):

Labour MPs today demanded a new statement on the Westland Helicopter affair after a television interview by the former Trade Secretary, Sir Leon Brittan.

In it he names two of Mrs Thatcher's closest

officials, who he said approved the leak of a crucial letter from his department. At the time Sir Leon took responsibility for the leak and resigned.

PETER ALLEN (Reporting):

The scandal surrounding Westland Helicopters didn't just cost the jobs of two Cabinet Ministers, it produced one of the worst periods of Mrs Thatcher's ten years as Prime Minister. The row over the future of Westland culminated in the leaking of a letter to Mr Heseltine, a leak which in effect finished off the Defence Secretary's campaign for a European future for Westland. That leak came from the Department of Trade and Industry. Sir Leon Brittan took responsibility and resigned, even though he claimed then that Number 10 had agreed to the leak.

But in this Channel 4 programme, 'The Thatcher Factor' Sir Leon goes further.

SIR LEON BRITTAN (Excerpt from programme):

Well the release of the Solicitor-General's

letter was something which was approved by Mr Charles Powell, the relevant Private Secretary at Number 10, and it was approved by Mr Bernard Ingham, the Prime Minister's Press Secretary.

PETER ALLEN:

That puts the spotlight back on Charles Powell and Mr Ingham, who are among Mrs Thatcher's most trusted advisers.

JOHN GILBERT, MP (Labour):

Well it means that it nails down Bernard Ingham and Charles Powell for the roles that they performed in this grubby little affair.

PETER ALLEN:

Labour MPs have attempted to raise the issue already in the Commons today. Downing Street is refusing comment.

Peter Allen, ITN, Westminster.

END

File MJZBNJ



10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

SIR DAVID WOLFSON'S QUESTIONS

Thank you for your helpful minute of 4 February, and for those from Mr Ingham and Mr Wiggins of the same date.

In the light of what the minutes say, I am even more convinced of the disadvantages of the Prime Minister volunteering further information in answer to these, and any other, questions. It is, however, useful to have the various forms available, should we find it necessary to answer these questions (though I very much hope that we do not have to).

I have not sought the Prime Minister's views on the suggested answers. She would, of course, have to clear them personally before they could be used.

I am copying this minute to Mr Wiggins (Cabinet Office) and to Mr Ingham, Mr Powell and Mr Flesher (No.10).

N.L.W.

N.L. Wicks
5 February 1986

Ref. A086/371

MR WICKS

cc Mr Wiggins
Mr Powell
Mr Ingham
Mr Flesher

*See Wiggins }
Trigler } for useful
glosses.
if this is ever used
N.L.W.
5.2.*

Thank you for your minute of 3 February about Sir David Wolfson's four questions on the affair of the disclosure of the Solicitor General's letter of 6 January.

2. On the first question, an answer might read:

"The letter which the then Secretary of State for Defence sent to Mr Horne on 3 January, and which was made public, could have been read as calling into question whether the Prime Minister's letter of 1 January to Sir John Cuckney (which had been agreed with the Solicitor General) could be relied upon by the directors and shareholders of Westland as an accurate and in no way misleading statement by the Government. Since the Prime Minister's letter was being so relied upon, the Prime Minister thought it important that the Defence Secretary's letter should be subject to examination by the Solicitor General, since it had not been cleared with him before publication, and that the Solicitor General should consider writing to the Defence Secretary, if he thought that the Defence Secretary's letter was inaccurate or misleading."

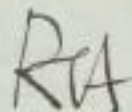
3. On the second question, an answer might read:

"The basis of the conversations was that the Secretary of State for Trade and Industry wanted brought into the public domain the fact that the Solicitor General had written to the then Secretary of State for Defence and the opinion he had expressed. As I made clear, my office were right in thinking that I should share that general view. They did not seek my agreement for the specific disclosure proposed or for the method proposed. They noted that the Department of Trade and Industry had their Secretary of State's authority, and made it clear that they were content for the Department to proceed on that basis. In view of the perceived need for urgency they agreed the method of disclosure proposed: an aspect of the matter which, as I have made clear, I and they regret."

4. Your draft answer to the third question might more happily end "but they had not objected to the DTI doing so". I do not feel able to comment otherwise, since I do not know what passed.

5. I do not know whether Mr Brittan has ever been asked the fourth question; if so, we had better make sure that what is proposed is consistent with what he said. Subject to that, I should be content with your draft.

6. But I share your view that we should not advise the Prime Minister to volunteer these (or any other) answers to these questions, for the reasons which the Prime Minister herself has indicated to Sir David Wolfson, and those given in Mr Wiggin's minute of today's date, with which I entirely agree.



ROBERT ARMSTRONG

4 February 1986

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MR WICKS

cc Mr Stark

Sir David Wolfson's Questions.

You asked in your minute of ^{att} 3 February for advice on the answers which might be given to four questions raised by Sir David Wolfson. I have, of course, no direct knowledge of the true answers to some of these questions; and I very much share your instinct that it would be better to avoid further specific disclosures where this is possible. There are some areas where each question answered runs the risk of prompting a further and possibly more difficult question; at the least we should have a clear idea how such supplementaries would be dealt with before proposing any fresh statement by the Prime Minister.

2. I agree that the question why the Prime Minister prompted the Solicitor General's letter was satisfactorily dealt with by the Prime Minister in her speech on 27 January. (This is covered in the separate note I have sent you.) There remains the question what the Prime Minister intended should happen after the Solicitor General had written his letter pointing out the material inaccuracies. The answer might perhaps be on the lines:

"First step was to establish whether there were material inaccuracies. If there were, the next step would have been for Mr Heseltine to correct them."

This then leads into questioning about whether it had really been essential to disclose the Solicitor General's letter before Mr Heseltine had any opportunity to reply, and whether the disclosure should have been selective, i.e. omitting the point that the Solicitor General's opinion explicitly rested on

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there being no further evidence beyond what he had already seen.

3. On the implications of 'it was accepted...', I would feel rather uncomfortable about the first sentence of the answer you propose. Was it reasonable for your Office to judge 'that it was within the authority of the Department of Trade and Industry to disclose certain contents of the Solicitor General's letter'? Given this difficulty, I should be inclined to rest on what has already been said.

4. On the meaning of 'in general terms', once again I am in no position to comment on the facts. I see no specific objection to your proposed answer, which is entirely consistent with what has already been said; but saying anything even slightly new in this area risks exposure to further questions why the No 10 Private Office were not immediately questioned in more detail about their involvement in the disclosure, and why questions were not at once asked by the Prime Minister of the DTI about the exact circumstances of disclosure.

5. As to the reason why Mr Brittan said nothing to the Prime Minister about his involvement in the disclosure for 16 days, my instinct is that the Prime Minister would be well advised to avoid further comment - this is, after all, a matter for Mr Brittan. If the Prime Minister were to give the answer you suggest, this would prompt the further question why Mr Brittan did not react to the establishment of the enquiry. Given the high degree of open-ness about the disclosure, it must have been very clear to Mr Brittan and all others concerned in the DTI that the enquiry would be bound to discover their part in the disclosure; if Mr Brittan thought the Prime Minister was herself aware of all the circumstances of the disclosure, what could the intentions of the Prime Minister have been in agreeing to the establishment of the enquiry?

Jw

A J WIGGINS
Cabinet Office.
4 February, 1986

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MR WICKS

Reference your minute of February 3 on Sir David Wolfson's comments about the Prime Minister's comments on the Westland disclosure.

I have no comments on your draft Answers to Points 1 or 4.

On your draft answer to Point 2, I would prefer to say in line 4:

".....letter, and they were prepared to go along with the DTI's judgment"

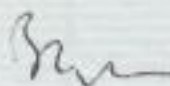
NB: I did query the proposed method; I did not question the decision to disclose.

The second paragraph of your draft Answer does not, of course, deal with the crux of the matter: why DTI should believe we were giving them "cover" when no specific request for approval was sought or given.

On Para 3, I am not competent to advise since I do not know what was said to the Prime Minister. However, if the facts fit the following might serve:

"The Prime Minister was told by her office that No 10 had not disclosed the Solicitor General's letter. There had been some contacts between her office and DTI and her office had not stood in the way of disclosure."

I remain, however, very nervous about going so far, even assuming that is what was said.



BERNARD INGHAM

4 February 1986

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10 DOWNING STREET

From the Principal Private Secretary

Sir Robert Armstrong.

C.C.:

Mr. Wiggins (Cabinet Office)

Mr. Powell

Mr. Ingham

Mr. Flesher

Sir David Wolfson told the Prime Minister on Friday evening that her statements to Parliament left unclear four questions on the affair of the disclosure of the Solicitor General's letter. He believed that if the Prime Minister could, in some way, answer these questions, the Government's position would be much strengthened and accusations about a "cover up" could be disposed of.

The Prime Minister indicated to Sir David that she was reluctant to give further detailed information to Parliament on these matters. Answers, however specific, could generate further questions; detailed answers might stimulate unhelpful glosses; and they might, in any event, suggest a spurious accuracy about recollections. She did, however, ask me to check with you whether answers could be found to Sir David's four questions which might, if necessary, be used in public.

The questions were as follows:

1. Why did the Prime Minister prompt the Solicitor General's letter?

The Prime Minister has dealt with this exhaustively in her statement last Monday (Col. 652 Hansard, 27 January), and I think this question can easily be answered by reference to that.

2. What is meant by "It was accepted ..." in the sentence "It was accepted that the Department of Trade and Industry should disclose that fact and that, in view of the urgency of the matter, disclosure should be made by means of a telephone communication to the Press Association" (Col. 450 Hansard, 23 January).

A possible answer here might be on the following lines:

The No.10 office accepted that it was within the authority of the Department of Trade and Industry to disclose certain contents of the Solicitor General's letter, and they were content to abide by DTI's judgement. No.10 saw no reason therefore to take any other decision on the disclosure. DTI officials, as the Prime Minister explained in the House on 27 January (Col. 655 Hansard), had a different understanding of the conversation.:

"They believed that they had the agreement of my office, and acted in good faith, in the knowledge that they had authority from their Secretary of State and cover from my office." (Col. 655, Hansard 27 January).

3. What is meant by the phrase "in general terms" in the sentence in the Prime Minister's statement "I was told, in general terms, that there had been contacts between my office and the Department of Trade and Industry" (Col. 657, Hansard 27 January).

A possible answer here is:

"The Prime Minister was told by her office that the Department of Trade and Industry had spoken to No.10 about publication, No.10 had declined to disclose the Solicitor General's letter, but they had not told DTI not to disclose it."

The problem with this answer is that it could suggest a somewhat spurious accuracy.

4. Why had the then Secretary of State for Trade and Industry not told the Prime Minister about his involvement in the disclosure for 16 days?

He had not raised the issue with the Prime Minister because he believed that No.10 knew the full circumstances of the disclosure. This was not the case because of the genuine difference in understanding between officials which the Prime Minister referred to in her statement of 27 January (Col. 655 Hansard).

For the reasons advanced in the second paragraph of this minute, I would not readily advise the Prime Minister to answer these questions. Nevertheless, we may find that we need to, and I should therefore be grateful for urgent advice, both from you and the other recipients of this minute, on the various answers suggested above.

N.L.W.

NLW

3 February, 1986.

24. i. 86.



Dear Prime Minister,

Congratulations on a most difficult job beautifully done. We did a hundred times better than I had feared — it was very important that you emphasized your agreement with the need but not the method.

Best wishes

Yours etc.

Michener.

MR. NEIL KINNOCK (Islwyn): Afer persistent efforts, we have managed to pull a statement from the r h Lady. It had a detail~~s~~ produced not by frankness but by guilt - unerasable guilt. That stain will ⁺ stay with the r h Lady for as long as she endures in politics. Her excuses are completly ^{el m} implausible. She cannot justify or excuse the conduct of her Govt in any one respect.

(In this squalid story, we have been told that the leaking of the Solicitor-General's letter was authorised, ~~authorised~~ ^{authorised} by the r h Lady's office ^{and} connived in ~~by~~ by her office, all, says the Prime Minister, with her subsequent endorsement. We must ask the Prime Minister, especially given her personalised and centralised style of Govt, where she was on 6 January ~~that meant~~ ^{so} that she could not be contacted on a matter as basic and essential as this. She has a duty to tell the Hse what she was doing when her office, as she says, was getting on with the business by itslef.

(We have been told that the matter ^a was authorised. What was actually authorised was a conspiracy by people in the Department of Trade and Industry and people from ~~the~~ the r h Lady's office to disclose certain parts of a letter written by a Law Officer to another members of the Cabinet about a matter of important public business. That was their way, we are told, of putting it into the public domain. That was the route chosen - not by open means, but by subt^elfuge and dishonest means.

(We have been told that there was an inquiry.
 Indeed, there have been answers in the House from Ministers,
 including the Prime Minister, saying that an earnest
 inquiry was being undertaken in the normal fashion. We
 have to ask: why was there an inquiry when everybody knew ^{what had happened?} ~~it~~

Why was there an inquiry when
 everybody knew that there would be no prosecution because
 the dispensation had been given? The only ~~comparable~~
^{comparable} precedent with this act of contrived insincerity is the
ⁱⁿ way which Macbeth so fiercely looked around for Duncan's
 murderers.

(We hear from the Prime Minister that ^{an} immunity
 was offered. Why was that the case when it was plain that
 there was to be no prosecution?

(We have heard a shabby story - an effort to defraud
 the public. The fact is that the Prime Minister, the
 Secy of State for Trade and Industry and everyone else
 involved would have got away with it, were it not for
 the fact that in this democracy ultimately the
 Prime Minister ^{had} ~~had~~ to make a statement. ~~They would have~~
~~got away with it.~~ They would have dealt with the former
 Member of the Cabinet, the Secy of State for Defence,
 not by the means available to ^{the} ~~the~~ Prime Minister, if she
 believed that he was acting contrary to the national interest.

not by sacking him⁽⁻⁾ but by trying dishonestly and
covertly to subvert him. That is a profound dishonesty.

P follows

Mr Kinnock spkg

For the Govt to leak in order to inform and influence public opinion is normal. For a Govt to leak in order to discredit anyone is shameful. For a Govt to leak in order to subvert a member of ~~the~~ ^{that} Govt is the action of a Govt who are rotten not just to the core but from the core, *and they should go*

[THE PRIME MINR: ~~In the light of what the r h G said,~~
~~much of what the r h G said~~
~~much of what the r h G said~~ I totally reject, *As* he has seen from the Solicitor-General's letter, the Govt ^{had} ~~has~~ a duty to give accurate information and not to give any misleading information because that information could be used to make commercial judgments. Because there was a possible inaccuracy, it was important to get accurate information into the public domain in time for the meeting at 4 o'clock. I agree, as I have said, that it should have been done by a more correct method. The fact is that I was not consulted, as I ~~was~~ ^{indicated} in the statement. *Yes,*

I did institute an inquiry and the r h G would have been the first to castigate me if I ~~had~~ ^{did} not. [Interruption.]

[MR SPEAKER: Order. The Leader of the Opposition was heard in silence, ~~and~~ ^{and} the Prime Minr deserves a fair hearing.

Yes

THE PRIME MINR: I instituted an inquiry ^{It started} which ~~began~~ on 14 January. I instituted that inquiry to find the full facts because they were not known. The inquiry reported on 22 January and I have made a full statement today, 23 January.

SIR EDWARD GARDNER (Fylde): Does my r h F the Prime Minr agree that if, as appears to be the case, my r h and l F the Secy of State for Trade and Industry had been aware, ~~he~~ ^{he} been made aware, of what he believed to have been the misleading information which could have seriously damaged the future of Westland, would ~~he~~ ^{there} not have been ~~an~~ an overriding and imperative duty ~~to~~ ^{to} correct that misleading information to protect Westland from further damage? ^{and that if} ~~if~~ he had not fulfilled that duty he would have been failing in his ~~role~~ ^{duty} as Secy of State?

THE PRIME MINR: I believe that my h and l F's analysis is the correct one. The Govt had a duty to see that no misleading statements were made. Therefore, possible inaccuracies had to come ~~before~~ ^{into} the public domain at the relevant time because commercial judgments were about to be taken.

MR DAVID STEEL (Tweeddale, Ettrick and Lauderdale): Is the Prime Minr aware that her statement reveals yet another chapter of shabby and astonishing behaviour ~~in~~ ⁱⁿ the higher reaches of ~~the~~ ^{her} Govt? Does she recognise that she owes the House and the

and the Civil Service an apology? She ~~has~~ allowed nine days of a charade of ^{an} inquiry when she could have cleared up the matter in 10 minutes by calling in her colleague, the Secy of State for Trade and Industry and her ^{own} press officer. ~~Will she~~
~~the Minister of State for the Regions?~~ Why was the Solicitor-General not told that his letter was to be used in this way? Why was ~~the~~
~~her~~ ^{r h Lady's} colleague, the then Secy of State for Defence, not told that the letter was to be made public? If it was so important to make the matter public, why was there not a clear Govt statement of policy rather than the hole-in-the-corner method used? Is the r h Lady aware that, if she were living in the real world outside and this inquiry had been conducted, she would now be on a charge of wasting police time?

[THE PRIME MINR: The inquiry was set up to establish the facts - ~~interruption~~ ~~What's your business?~~]

[H Ms: You knew]

[MR SPEAKER: Order.]

[THE PRIME MINR: If I had refused ^{demand} ~~requests~~ for an inquiry, ^M for Tweeddale, Elrick and Lauderdale (Mr Steel) the r h ~~Min~~ would have criticised me. The inquiry established many facts which were not known to me. The r h G said that ~~if~~ I could have cleared up the matter without an inquiry, ⁶ That is not what he would have said had I failed to ~~follow~~ follow that course.

Q. Pds.

MR. ALEX FLETCHER (Edinburgh, Central): Is my r h F aware that there are ^{Conservative} Members ~~of the Conservative Party~~ whose first consideration in this matter is the integrity of Govt? Is she satisfied that the statement that she has made this afternoon has enhanced the integrity of her Govt?

THE PRIME MINR: I have tried, having set up an inquiry and received the full report yesterday, to give as full an account as I possibly can, because the Hse deserves to have it.

MR. MICHAEL FOOT ~~Q~~ (Blaenau Gwent): Does the r h Lady recall that a week ago, when I asked her about it, she said that the inquiry was going ahead/ but it was not the custom in any sense to make a report to the Hse, and she was not going to do so? When she gave that answer to the Hse and drew a veil over the proceedings, saying that the inquiry was going to proceed, she must have known all the facts. ^{So} she was concealing the ^{truth} from the Hse and the country. When will she apologise for that?

THE PRIME MINR: No, the r h G is not correct. I did not know all the facts, and that is why an inquiry was set up. It is not the usual tradition or custom to give the outcome of such inquiries. There have been rare exceptions when that has been the case. One such exception was on 1 July 1976, when the results of an inquiry were published and a statement made about the disclosure of information regarding child benefit. When I got the result and the report of the inquiry, I knew full well that it would have to be one of the exceptions, when a full statement would have to be made. I have made such a full statement because that was what the Hse wanted and required.

[MR. MICHAEL ~~COLVIN~~ COLVIN (Romsey and Waterside): Does my r h F agree that, if we need lessons ~~in~~ in leaking, we have only to read the Crossman and Castle diaries, from which we would learn that previous Labour Govts ~~were~~ leaked like sieves?

[THE PRIME MINR: I think that there would have been a different way had there been more time. H Ms should remember that there was a time constraint. It was urgent because of that meeting at 4 o'clock that afternoon.

[MR. MERLYN REES (Morley and Leeds, South): Is the Prime Minr aware that, as I listened to and watched this tawdry saga rattle on, I no longer care about the relationships between Trade and Industry Minrs and industrialists? I no longer care whether the machinery of Govt is being run properly. All that I know is that if, ~~as~~ ~~the~~ Home Secry, ~~I~~ had set up an inquiry, and people came back and said, "But, Sir, you authorised it," I should have resigned.

[THE PRIME MINR: No. I have, in fact, in a long statement, given the facts, I hope, showing that I was not consulted. I hope that the r h G will have the decency to accept that statement

[MR. MICHAEL HESELTINE (Henley): ~~May I ask my r h F the following qn?~~ If what I said in the letter, which was apparently so difficult, caused such concern, as it was in the hands of No. 10 and the Dept of Trade and Industry on the Friday afternoon, and there was no protest from colleagues about its contents, and as the first that I ~~heard~~ heard of concern was late on the Saturday night, when the Solicitor-General told me that he would be writing on the Monday, would it not have been possible for colleagues to

have consider^{ed}, discuss^{ed} and perhaps even agree^d any withdrawal of anything in my letter that was misleading? ~~May I ask you r k E. As~~

I did respond to the Solicitor-General, and as the text of his letter has been published, would it not be now right for the text of my reply to be published as well?

Does the Prime Minr accept that every word of the letter that I sent to the European consortium stands uncorrected by any statement by this Govt?

R follows

THE PRIME MINISTER: The problem would never have arisen had ^{my} m r h F ~~the Member for Henley (Mr. Heslop)~~ cleared his letter with the Solicitor-General because it was upon the basis of that letter that commercial judgments would have been made. My r h F did not do that. He knew full well that I had cleared every word of my letter because it was thought that it might be included in ^{or material to} the prospectus ~~or be included in~~. Had m r h F cleared his letter, this problem would never ~~have~~ have arisen.

DR DAVID OWEN (Plymouth, Devonport): Will the Prime Minister ^{and} tell the House when her office told her that it had given cover to the Secy of State's office to reveal the letter? Did that happen on 6 or 7 January? When did that happen, and why did she not ~~come and~~ tell the House as soon as she knew that ^{her} ~~her~~ office had been involved in the leak? How can the Prime Minister continue to hold the high office that she does when she constituted a leak inquiry in the full knowledge that her office, and by implication she herself, was fully involved in this whole sordid affair?

THE PRIME MINISTER: I do not think that the r h G has fully taken into account every single thing in my statement.

The inquiry was set up to establish the facts. An enormous number of the facts were not known to me until yesterday ^{11 22 January} when I received the results of the inquiry, ~~which were not known to me until yesterday~~
~~which were not known to me until yesterday~~

MR CRANLEY ONSLOW (Woking): My r h F ~~the Prime Minister~~ ^{h my on the Opposition benches,} will be aware that many r h and h ^{Opposition members like} like the ^{Member r h M.F.I.} ~~Member for~~ Plymouth, Devonport (Dr Owen), who has ~~just intervened,~~ are not really interested in listening to the facts of the full ~~and~~ account given by ~~my~~ r h F. What view does ^{my} r h F think ^{that} the House might have taken of any Minister in any Govt placed in such an invidious situation by the action of a colleague who had failed in his duty to ensure that correct information was made public as soon as possible?

THE PRIME MINISTER: Yes, Mr. Speaker, it would have been much easier, as the facts were commercially sensitive, if the

relevant letters had been cleared as mine was with the ~~Solicitor~~ Solicitor General. It was vital to have accurate information in the public domain, ~~because~~ because we knew that judgements ~~not~~ ^{might} be founded

upon ^{that} ~~them~~ and that the Govt could be liable if wrong judgments were made as a result of misleading information, ~~which was~~
~~what to have accurate information in the public domain.~~

It was to get that accurate information to the public domain that I gave my consent.

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[MR JACK DORMAND (Easington): The Prime Minister said that ^{it was} ~~as~~ an open decision taken by No 10 to release the letter to the Press Association. Did the Prime Minister see Mr. Chris ^{Moncrieff} ~~Montcrieff~~ on the "9 o'clock news" on ~~televs~~ television last night? Mr. ^{Moncrieff} ~~Montcrieff~~ said that there was no way in which he would reveal any details about that letter, ^{about who or where} ~~where it came from~~ ^{it came} ~~where~~ from. Is ^{not} the r h ^{Lady} ~~not~~ aware that ~~not~~ there is no more honourable a member of the ^Press ^Gallery than Mr. ^{Moncrieff} ~~Montcrieff~~? Why should Mr. ^{Moncrieff} ~~Montcrieff~~ say those words in ^{contradiction to} ~~competition with~~ what the Prime Minister has told the House this afternoon?

THE PRIME MINISTER: I do not believe that there is a contradiction. I have set out the full facts as a result of the inquiry, ^{and} I have set them out extremely carefully and accurately. I hope that the h G will consider them with the same care that I have given to ~~expressing~~ expressing them.

MR NICHOLAS FAIRBAIRN (Perth and Kinross): Does ^{my h} ~~r~~ ~~h~~ the Prime Minister appreciate that this is probably the House of Commons at its ~~worse~~ worst when political parties ^{which} ~~who~~ hope to obtain power ~~in this country~~ and destroy the prosperity that the Govt have created, wish to make bogus points pretending that they are matters of principle? ^{not} Should those parties ~~not go and~~ consult their consciences?

THE PRIME MINISTER: I repeat that the report of the inquiry was submitted to me on 22 January ^{On} ~~of~~ the basis of the report of that inquiry, most of the facts in which were ^{new} ~~made~~ to me, I have faithfully reported to the House.

(S follows)

~~MR. STANLEY CROFTON (MORNING):~~

(MR. ROY JENKINS (Glasgow, Hillhead): Is the Rt Hon Lady aware that as she and her Govt sink deeper into the bog of deceit and chicanery, ^{almost} her only remaining ^{memorable} ~~emorable~~ words will be that there were commercial decisions involved? ^{and that} Govts before hers have been activated by higher considerations than that?

(THE PRIME MINISTER: I note what the rt hon ^G says, but when commercial decisions and different reconstructions are ~~made~~ made on the basis of a prospectus, legal obligations follow and information should not be misleading. I should have hoped that the rt hon G ~~might have~~ ^{would} accept that.

(MR. PATRICK CORMACK (Staffordshire, South): When the Secy of State for Trade and Industry addressed ^{the} ~~this~~ Hse at length last week, did he know that he had authorised the leak?

(THE PRIME MINISTER: The inquiry was under way. It has now reported and given the facts.

(MR. TAM DALYELL (Linlithgow): When did the Prime Minister's press office first tell her what ^{it} ~~they~~ had done?

(THE PRIME MINISTER: I have given as full an account - [interruption] - of the inquiry that I established ~~so that it~~ ^{to} ~~could~~ establish the facts. I have said that I was not consulted at the time.

(MR. GEORGE GARDINER (Reigate): Will my rt hon F take it from me, as one who worked as a political correspondent in this building for 13 years, that the events ^{which} ~~that~~ took place in the Dept of Trade and Industry, which she has outlined, differ not one jot from the regular practice of Labour Members when they were in Govt? Will she take it from me

that, if there is anger and criticism ^{on} ~~from~~ the Conservative Benches, much of it relates to the way in which a comparatively straightforward issue is being blown up into so grotesque a debate?

(THE PRIME MINISTER: ^{Because of} ~~It is~~ the duty to see that accurate information on a commercially sensitive matter ^{was} in the public domain, ~~that~~ the decision was taken. I have said that I was not consulted at the time. I set up an inquiry to establish the facts. It has established them.

(MR. JACK ASHLEY (Stoke-on Trent, South): In view of this afternoon's exchanges, does the Prime Minister consider that in six months' time she will ^{still} ~~still~~ have the same team and that she will be captain of that team?

(THE PRIME MINISTER: Yes, Sir.

(MR. DAVID CROUCH (Canterbury): I wonder ^{whether} ~~whether~~ I may make a comment as a Back Bencher, who has never understood ^{the} ~~the~~ workings of the official or unofficial channels or the difference between an official statement or a statement attributed to a spokesman. The information that was released ^{was} ~~was~~ of such importance that it should have been released at that time by whatever ^{means} ~~means~~.

(THE PRIME MINISTER: My hon F is making a comment on the practice of non-attribution. I accept that many comments could be made about that.

(MR. MAX MADDEN (Bradford, West): Will the Prime Minister, who has always sought credit for being the Prime Minister who is always on the job, answer one simple question? When was she told by her officials of their involvement in ^{discussing} ~~discussing~~ the agreement ^{to} ~~to~~ ^{disclose} ~~disclose~~ the disclosure of the Solicitor-General's letter by the

Dept of ^{Trade}~~Trade~~ and Industry?

(THE PRIME MINISTER: A vast number of the facts in that report ~~[interruption]~~ were not given to me until yesterday. I am not going to tease out what was and what was not. A number of the facts which came in that report were not known to me until yesterday.

(SEVERAL HON MEMBERS rose -

(MR. SPEAKER: Order. I must bear in mind that we have business questions after this and that this is an Opposition Day with two important debates. I propose to allow questions to continue for a further ~~20~~¹⁰ minutes.

(MR. TEDDY TAYLOR (Southend, East): While there may be some hon Mems on both sides of the Hse who think that in this ~~past~~ ^{fast}-moving situation a public statement would have been preferable to an unofficial leak, is it not wrong to allow disagreements on this matter to distract us from the fact that thousands of jobs could have been put at risk if the Govt had allowed the Board to take a decision on the basis of conflicting advice from different Depts? Now that this matter has been disposed of, should we not let Westland get on with the job?

(THE PRIME MINISTER: I agree with the ~~two~~ points in my hon P's question about the public statements and allowing Westland ~~to~~ ^{now} get on with the job.

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MR. JOSEPH ASHTON (Bassetlaw): As it is obvious that the whole episode was conceived to get rid of the rt hon Member for Henley, (Mr. Heseltine), whose job ^{was} filled within ~~the~~ 10 minutes of his leaving the Cabinet, will the Prime Minister tell us what he did wrong to merit such treatment?

THE PRIME MINISTER: Perhaps the hon G has forgotten that my ^{it} hon F, the Member for Henley (Mr. Heseltine) took his own decision.

MR. JOHN ^{STOKES} ~~STOKES~~ (Halesowen and Stourbridge): Is my rt hon F aware that I was in my constituency on Friday and Saturday and that a large number of - [interruption] - did not mention Westland to me? Is she further aware that in my ^{post bag} ~~postbox~~ I did not ^{receive} ~~receive~~ one letter on the subject? ~~Has~~ Has not the matter been blown up by the press and seized ^{on} ~~by~~ by the Opposition ^{who are} ~~which are~~ short of ammunition to use against the Govt?

THE PRIME MINISTER: I heard two thirds of what my hon F said and agreed with it wholly. I am sure that the other one third was marvellous.

MR. DAVID WINNICK ^{Walsall} ~~Walsall~~ (North): Is the Prime Minister ^{aware} ~~aware~~ that, instead of the robust, fighting statement from her that we were promised ^{at} by the press, we have ~~instead~~ had a shoddy pathetic statement which will not convince most people but ^{which} is a perfect illustration of the deceitful way that the Govt go about their business? Is she further aware that, while we are, of course, all pleased that no civil servant will be used as a scapegoat, it is plain that if the Secy of State for Trade and Industry had the ^{least} ~~least~~ idea of what honour meant,

he would have resigned by now.

[THE PRIME MINISTER: The hon G has omitted to mention the fact that I deliberately set up an inquiry to establish the facts. It has established the facts. I have reported to the Hse upon them within a day of receiving the Report.

[MR. JOHN WILKINSON (Ruislip - Northwood): As it was the Govt's clear, collective decision before Christmas that Westland's future should rest with the decision of the shareholders and the company, how did my rt hon F, the former Secy of State for Defence, come to ~~write~~^{write} that extraordinary letter to the Chairman of a merchant bank ~~which~~^{which} was acting on behalf of one of the parties involved with the potential rescue? In those circumstances was it not right for the Law Officer and my ~~rt hon F~~^{rt hon F} the Secy of State for Trade and Industry, to take extraordinary measures to give the true and ~~accurate~~^{accurate} ~~facts~~^{facts}.

[THE PRIME MINISTER: It was a unique situation. My rt hon F, the Secy of State for Trade and Industry, had a duty to see that the facts were available at the relevant meeting. It would have ~~been~~^{been} better if we had all ~~followed~~^{followed} the same procedure during that difficult ~~period~~^{and sensitive} and cleared our letters with other Depts and with the Solicitor-General.

[MR. BRYAN GOULD (Dagenham): On this issue and many others, have ~~not~~^{not} the Govt ~~become~~^{become} one where the merest ~~assertion~~^{assertion} of Prime Ministerial power and patronage is deemed sufficient to sweep aside ~~established~~^{established} principles ~~and~~^{and} honour?

[THE PRIME MINISTER: No, Mr. Speaker. There are some who would allege that Prime Ministerial power was not sufficiently in evidence during part of the incident.

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DR KEITH HAMPSON (Leeds, North-West): Is my r h F aware that all ^{the} members would prefer accurate information to be placed ~~as she expressed~~ in the public domain? The information had to ~~be~~ be accurate for the shareholders of Westland. ~~Surely it would~~ it would have been better ^{if} ~~rather than quote~~ ^{instead of leaking} a small part of the Solicitor-General's letter ~~to be leaked~~ and to do the most damage to a colleague ^{there should have been a delay so that the reply of my r h F the M for Henley could have answered.} ~~His~~ ^{reply,} which was accepted by the Solicitor-General ^{and} ~~the~~ the evidence which ^{for which} the Solicitor-General had asked, ~~for~~ could then also have been released so that the shareholders could make a proper judgment. ?

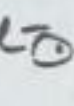
THE PRIME MINR: I think ^{that} it is essential to get into the public domain the fact that there were possible inaccuracies which were relevant to that situation. I accept at once that it would have been better ^{if} ~~for~~ a statement ^{had been} ~~to be made~~ ^{or better if the} information ^{had been} released in a different way.

MR DICK DOUGLAS (Dunfermline, West): The Prime Minr has given us certain detailed information as to the factual accuracy of what happened. Can the Prime Minr help me as I am a layman and not a lawyer, ^{and,} As I understand it, the Solicitor-General's expertise is in legal matters. What vital legal consideration was at stake on this issue? ^{and} Did the Solicitor-General know that his letter would be leaked?

THE PRIME MINR: In the letter which I quoted, and which the h G knows has been released fully into the public domain, the Solicitor-General said, in respect of what my r h F the then Secy of State for Defence had written:

"It is foreseeable that your letter will be relied upon by the Westland Board and its shareholders.

"Consistently with the advice I gave to the Prime Minister on 31 December, the Govt in such circumstances is under a duty not to give information which is incomplete or inaccurate in any material particular."

That is because of the prospectus ~~point~~ ^{point} 

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MR D N CAMPBELL-SAVOURS (Workington): Is the Prime Minr aware that when ^{in future} ~~the~~ people of Britain ~~in future~~ examine these days, they will say that the Prime Minr did not tell the truth. Is the Prime Minr aware that in ~~1953~~ 1963 Mr Profumo, in admitting to the Hse that he had deliberately misled it, ~~he~~ was found to be in contempt, and ^{ed} he admitted his contempt? Does the Prime Minr not accept that this matter ^{would be} ~~is~~ best dealt with by the Cttee of Privileges, ^{which is} ~~who are~~ in a position to find out the nature of the contempt that has taken place?

THE PRIME MINR: I totally reject and resent the h G's assumption.

MR NORMAN ST JOHN-STEVAS (Chelmsford): Is the Prime Minr aware that, whatever the ~~thoughts~~ faults of the Govt in handling this situation, and there have been grave faults, nothing justifies the farrago, ^{the} hypocrisy, ^{the} ~~and~~ humbug and, ^{the} cant ^{that} ~~which~~ we have had to endure from r h and h ~~the~~ ^{opposite} Labour Members?

(THE PRIME MINR: I am grateful to my r h F. Throughout, I thought it ^{absolutely} ~~absolutely~~ vital that, as Westland ^{has had,} ~~have~~ the choice, ^{it} ~~they~~ should be able to make that choice on the basis of accurate, and not misleading, information. That will continue to be our policy.

(MR TERRY DAVIS (Birmingham, Hodge Hill): Does the Prime Minr think that it should need an inquiry for her to learn what had been authorised by a member of her Cabinet?

(THE PRIME MINR: Had I attempted not to have an inquiry ^{said, "I will do it internally", rh + h G's opposite} and ~~had said "I will do it internally"~~ ^{rh and h Ms opposite} ~~"I will do it internally"~~ ^{rh and h Ms opposite} ~~rh and h Ms opposite~~ ^{rh and h Ms opposite} would have been the first to criticise.

(MR DOUGLAS HOGG (Grantham): Does my r h F accept that the general judgment will be that we have had a candid speech, It was clearly in the national interest, and in the interest of the company, that the information should have been discussed. All we are talking about is the manner of the disclosure, and that is an essentially trivial and minor matter. ~~Will~~ Does my r h F also accept that the electorate will not easily forget

those who ~~have~~ perpetuate this matter out of narrow, personal and political interest?

(THE PRIME MINR: I am grateful to my h F. I only add one thing - I wish ^{that} the manner of the ~~discovery~~ ^{disclosure} had been different and more orthodox.

(MR NIGEL SPEARING (Newham, South): The Prime Minr has told the Hse that the Secy of State for Trade and Industry authorised what she called "material elements" in the Solicitor-General's letter, and not the whole letter. The Prime Minr said that this was covered by Downing Street. Can the ^{Mr Lady} ~~Prime Minr~~ tell the Hse to whom Mr Ingham is accountable and who decides his standing orders?

~~the Prime~~
 (THE PRIME MINR: I have looked carefully at the statement, and I ask the h G to look carefully at the statement to see what was agreed and what was accepted. It was drafted absolutely in accordance with the rpt ^{that} I received. I ^{should} ~~would~~ like to say that Mr ~~Mr~~ Ingham has served successive Govts with ~~devotion~~ devotion and dedication, ~~and I have given confidence in him.~~

dedication, and I ~~am~~ have great confidence in him.

(MR JERRY WIGGIN (Weston-super-Mare): ^{Very brief} ~~The Prime Minr~~

did not mention this in her statement, but ^{may} can we take it that the writer of the letter, the Solicitor-General, ^{gave} ~~did~~ give his approval in advance that part of the letter should be selectively leaked to the press?

(THE PRIME MINR: No, Sir, and I deeply regret that.

(MR TONY BANKS (Newham, North-West): The Prime Minr ~~had~~ said that she feels that the information in the letter could have been made public in other ways than through a leak. Can the Prime Minr say ⁱⁿ what ways it should have been given to the press?

(THE PRIME MINR: It is now a hypothetical question.

The alternative way would have been to make a straight statement. As the h G knows, things ^{were} ~~are~~ not easy at that time. The people concerned ^{that} I say again, I was not consulted, ^{were} were up against a severe time constraint, as I said in the statement.

MR PATRICK NICHOLLS (Teignbridge): Does my r h F find it

remarkable that the Opposition's indignation on the question of leaks is selective? Why, for instance, do we not hear about

~~the leak of the letter to Sir Raymond Lygoe~~ ^{the leak} of Sir Raymond Lygoe's letter to my r h F ^{Hawley (in Heseltine)?} the M for ~~Hawley~~. All this hot air

amounts to the fact that if a leak will damage the Govt the Opposition will highlight it, and if it does not damage the Govt they will ignore it completely.

(THE PRIME MINR: I am grateful to my h F. I repeat again, ^{but} I believe it was right not to have potentially misleading information at a time when important commercial decisions were about to be taken which involved the future of a particular company.

MR GEORGE FOULKES (Carrick, Cummock and Doon Valley):

Will the Prime Minr give the Hse an assurance now that when she has "teased out" the details, as she describes them, she will tell the Hse exactly when she was told of her officers' involvement in the disclosure?

THE PRIME MINR: I set up an inquiry to find out the facts. I discovered most of the facts when the inquiry had been reported.

SIR PETER HORDERN (Horsham): ^{It has been known} For many years ^{that} ~~past~~ the people who stand in the greatest danger in this place are lobby journalists. They risk being run over ^{and} tripped up by Cabinet ~~Ministers~~ and ^{others} trying to tell them secrets. Of course, it would have been better to ^{make} ~~have made~~ an open statement at the time, but we are making too much fuss about a tiny company ^{or} about the size of a moderate hotel in North London. It is time ^{that} we got on with some proper business.

THE PRIME MINR: As I ^{understood} ~~understood~~ it, we ^{had} ~~have~~ a clear duty to see that accurate and not misleading information was put into the public domain at the time. My r h/f ^{at} carried out that duty, and I agreed ^{that} ~~that~~ his judgment of getting it into the public domain ^{was right,} ~~was right~~ but I did not like the way in which it was done.

MR NEIL KINNOCK (Islwyn): On a point of Order,

Mr Speaker.

Because of the wholly unsatisfactory and unconvincing nature of the Prime Minister's statement and replies ~~in the course~~ ~~of~~ this afternoon, I wish to give you formal notice that I shall, at the appropriate time this afternoon, ~~be seeking~~ leave to move the Adjournment of the Hse under Standing Order No. 10.

~~MR SPEAKER: Order. I have a statement to make.~~

(Several in his voice —

(Mr. Speaker. Order. I have a statement to make.

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LEAK INQUIRY: CHRONOLOGY

Monday 6 January

Disclosure took place

Tuesday 7 January

Alan Williams, M.P., Labour Spokesman on Trade and Industry, writes to PM asking for a formal leak inquiry.

?PM informed that disclosure not from No. 10; that there had been contacts between No. 10 and DTI.

Steel (AG's office) writes to RTA seeking opinion on possibility of leak inquiry.

?First discussions of possibility of leak inquiry.

Wednesday 8 January

NLW informed that Mr. Brittan does not want a formal inquiry and PM informed.

RTA makes "preliminary" enquiries of his own; concludes no purpose in his continuing further.

Friday 10 January

At his request, AG sees RTA to say that there had, in his view, to be a leak inquiry.

RTA reports AG's views and tenders formal advice to PM that there should be a leak inquiry; informs PM that he will be prepared to ask AG for grant of immunity if necessary.

Tuesday 14 January

PM announces that an inquiry has been instituted.

Thursday 16 January

PM tells Alan Williams that the outcome of leak inquiries is not normally disclosed; repeats this to Michael Foot.

Tuesday 21 January

Rumours in Parliament that leak inquiry has named a DTI official as responsible; rumours referred to in Parliament.

Wednesday 22 January

Inquiry report delivered.

Opposition demands a statement.

Thursday 23 January

PM's statement

Westland plc

3.31 pm

The Prime Minister (Mrs. Margaret Thatcher): With permission, Mr. Speaker, I wish to make a statement on the outcome of the inquiry into the disclosure of certain information in my hon. and learned Friend the Solicitor-General's letter of 6 January.

As the House knows, the chairman of Westland plc, Sir John Cuckney, wrote to me on 30 December 1985 asking whether Westland would no longer be considered a European company by the Government if a minority shareholding in the company were held by a major international group from a NATO country outside Europe.

This question was of fundamental importance to the company in making its decision as to what course it was best to follow in the interests of the company and its employees. It was therefore essential to be sure that my reply should be in no way misleading to anyone who might rely upon it in making commercial judgments and decisions.

The reply was accordingly considered among the Departments concerned, and the text of my letter of 1 January 1986 was agreed in detail by my right hon. and learned Friend the Secretary of State for Trade and Industry, my right hon. Friends the then Secretary of State for Defence and the Chief Secretary to the Treasury, and finally by my hon. and learned Friend the Solicitor-General. My letter was made public.

Two days later, on 3 January, my right hon. Friend the then Secretary of State for Defence replied to a letter of the same date from Mr. Horne of Lloyds Merchant Bank asking him a number of questions, covering some of the same ground as my own reply to Sir John Cuckney. The texts of the letters became public that same day.

My right hon. Friend's reply was not cleared or even discussed with the relevant Cabinet colleagues. Moreover, although the reply was also material to the commercial judgments and decisions that would have to be made, my hon. and learned Friend the Solicitor-General was not invited to scrutinise the letter before it was issued.

On the morning of 6 January, my hon. and learned Friend the Solicitor-General wrote to my right hon. Friend the then Secretary of State for Defence. He said—and I quote:

"It is foreseeable that your letter will be relied upon by the Westland Board and its shareholders.

Consistently with the advice I gave to the Prime Minister on 31 December, the Government in such circumstances is under a duty not to give information which is incomplete or inaccurate in any material particular."

The letter continued:

"On the basis of the information contained in the documents to which I have referred, which I emphasise are all that I have seen, the sentence in your letter to Mr. Horne does in my opinion contain material inaccuracies in the respects I have mentioned, and I therefore must advise that you should write again to Mr. Horne correcting the inaccuracies."

That is the end of the quotation.

I have quoted extensively from the letter which, as hon. Members will know, was published a week ago. As I have already indicated, it was especially important in this situation for statements made on behalf of the Government, on which commercial judgments might be based, to be accurate and in no way misleading.

That being so, it was a matter of duty that it should be made known publicly that there were thought to be

Leak.

material inaccuracies which needed to be corrected in the letter of my right hon. Friend, the Member for Henley (Mr. Heseltine) of 3 January, which, as the House will recall, had already been made public. Moreover, it was urgent that it should become public knowledge before 4 pm that afternoon, 6 January, when Sir John Cuckney was due to hold a press conference to announce the Westland board's recommendation to shareholders of a revised proposal from the United Technologies Corporation-Fiat consortium.

These considerations were very much in the mind of my right hon. and learned Friend the Secretary of State for Trade and Industry when the copy of the Solicitor-General's letter was brought to his attention at about 1.30 pm that afternoon of 6 January. He took the view that the fact that the Solicitor-General had written to the then Secretary of State for Defence, and the opinion he had expressed, should be brought into the public domain as soon as possible. He asked his officials to discuss with my office whether the disclosure should be made, and, if so, whether it should be made from 10 Downing street, as he said he would prefer.

He made it clear that, subject to the agreement of my office, he was giving authority for the disclosure to be made from the Department of Trade and Industry, if it was not made from 10 Downing street. He expressed no view as to the form in which the disclosure should be made, though it was clear to all concerned that in the circumstances it was not possible to proceed by way of an agreed statement.

My office were accordingly approached. They did not seek my agreement: they considered—and they were right—that I should agree with my right hon. Friend the Secretary of State for Trade and Industry that the fact that the then Defence Secretary's letter of 3 January was thought by the Solicitor-General to contain material inaccuracies which needed to be corrected should become public knowledge as soon as possible, and before Sir John Cuckney's press conference. It was accepted that the Department of Trade and Industry should disclose that fact and that, in view of the urgency of the matter, the disclosure should be made by means of a telephone communication to the Press Association. [Interruption.] Had I been consulted, I should have said that a different way must be found of making the relevant facts known.

The report finds, in the light of the evidence that the Department of Trade and Industry acted in good faith in the knowledge that it had the authority of its Secretary of State and cover from my office for proceeding. An official of the Department accordingly told a representative of the Press Association of the letter by my hon. and learned Friend the Solicitor-General and material elements of what it said. The company was also informed. The information was on the Press Association tapes at 3.30 pm.

My right hon. and learned Friend the Secretary of State for Trade and Industry was, in my judgment, right in thinking that it was important that the possible existence of material inaccuracies in the letter of 3 January by the then Secretary of State for Defence should become a matter of public knowledge, if possible before Sir John Cuckney's press conference at 4 pm that day. Insofar as what my office said to the Department of Trade and Industry was based on the belief that I should have taken that view, had I been consulted, it was right.

My right hon. and learned Friend the Attorney-General has authorised me to inform the House that, having

middle east? Will she try to make him understand that, if he does not use the moderate influence of chairman Arafat, he, or his successor, will have to face a much less moderate and more radical leadership of the Palestinians?

The Prime Minister: The hon. Gentleman knows the position, and it has not changed. Mr. Peres is in favour of direct negotiations between Israel and the Jordanian-Palestinian delegation within the framework of an international conference. I do not think that there is any question of accepting the PLO until it accepts resolutions 242 and 338, renounces violence, and accepts the right of Israel to exist.

Q5. Dame Jill Knight asked the Prime Minister if she will list her official engagements for Thursday 23 January.

The Prime Minister: I refer my hon. Friend to the reply that I gave some moments ago.

Dame Jill Knight: Is my right hon. Friend aware that there is much interest in the talks that she had yesterday with Mr. Peres, in which one would hope that she did not adopt the belligerent attitude of the hon. Member for Warley, East (Mr. Faulds)? Is she able to tell the House of any advance made or of any solutions put forward in regard to the middle east situation?

The Prime Minister: I am afraid that I cannot suddenly come out with new solutions. One knows this particular aspect of world politics very well and the difficulty of finding a lasting solution which will give peace and security to all states in the region. The talks which I had with Mr. Peres were not only enjoyable but very interesting and constructive. I hope to visit Israel later this year.

Q6. Mrs. Clwyd asked the Prime Minister if she will list her official engagements for Thursday 23 January.

The Prime Minister: I refer the hon. Lady to the reply that I gave some moments ago.

Mrs. Clwyd: Does the Prime Minister think that her current placing in the opinion polls is a reflection of the way that people feel about the way she runs the country?

The Prime Minister: I think, that there is only one answer to that—no. I hope that we shall go forward to the next election and win for the third time with an even larger majority.

Q7. Mr. Evennett asked the Prime Minister if she will list her official engagements for Thursday 23 January.

The Prime Minister: I refer my hon. Friend to the reply that I gave some moments ago.

Mr. Evennett: Despite the recent pressures on the sterling exchange rate, will my right hon. Friend reaffirm her commitment to lower interest rates in the long term and lower income tax for the people of this country? Will she ignore totally the Opposition Front Bench whose economic policy would bring this country to absolute ruin?

The Prime Minister: I gladly support the last aspect of my hon. Friend's question. We would all like lower interest rates, but there are other things, like the level of inflation, at which we have to look as well. We would all like lower taxes, and that means being very careful in budgeting for public expenditure. With regard to keeping industry competitive, it is absolutely vital that any wage increases should go hand in hand with productivity increases.

Mr. Pavitt: Will the Prime Minister find time to discuss with the Minister for Health the cataclysmic drop in morale of nurses as the result of the implications of the Griffiths report? Is she aware that the disillusion of nursing officers is creating a crisis in the Health Service? Will she meet representatives of the Royal College of Nursing at the earliest opportunity?

The Prime Minister: As I said during Question Time on Tuesday, I visited a large hospital last Friday. I did not find the situation as the hon. Gentleman reports it. I found good morale, and some nurses have the opportunity to apply for the jobs of managers.

Q8. Mr. Stanbrook asked the Prime Minister if she will list her official engagements for Thursday 23 January.

The Prime Minister: I refer my hon. Friend to the reply that I gave some moments ago.

Mr. Stanbrook: The two best things about the Channel tunnel project are that thousands of jobs—

Mr. Speaker: Order. The hon. Gentleman must ask a question.

Mr. Stanbrook: I am about to ask my question, Mr. Speaker. The two good things are the thousands of jobs that it will create and the fact that it will involve no expenditure of public funds. Will my right hon. Friend now look around and find similar projects for the application of those two principles?

The Prime Minister: My hon. Friend puts his finger on a most important point. Six and a half years ago it would have been unthinkable that we could agree a Channel tunnel scheme and have it privately funded. It is enormously exciting that we have done so, and we should look round for other similar projects.

considered the report by the head of the Civil Service, and on the material before him, he has decided after consultation with, and with the full agreement of, the Director of Public Prosecutions and senior Treasury counsel, that there is no justification for the institution of proceedings under the Official Secrets Act 1911 in respect of any of the persons concerned in this matter.

In order that there should be no impediment to co-operation in the inquiry, my right hon. and learned Friend had authorised the head of the Civil Service to tell one of the officials concerned, whose testimony would be vital to the inquiry, that he had my right hon. and learned Friend's authority to say that, provided that he received full co-operation in his inquiry, the official concerned would not be prosecuted in respect of anything said during the course of the inquiry.

The head of the Civil Service did, indeed, receive full co-operation not only from that official but from all concerned. My right hon. and learned Friend tells me that he is satisfied that that in no way interfered with the course of justice: on the facts as disclosed in the inquiry there would have been no question of proceeding against the official concerned.

Mr. Neil Kinnock (Islwyn): After persistent efforts, we have managed to pull a statement from the right hon. Lady. It had a detail produced not by frankness but by guilt—unerasable guilt. That stain will stay with the right hon. Lady for as long as she endures in politics. Her excuses are completely implausible. She cannot justify or excuse the conduct of her Government in any one respect.

In this squalid story, we have been told that the leaking of the Solicitor-General's letter was authorised—authorised by the right hon. Lady's office and connived in by her office, all, says the Prime Minister, with her subsequent endorsement. We must ask the Prime Minister, especially given her personalised and centralised style of government, where she was on 6 January so that she could not be contacted on a matter as basic and essential as this. She has a duty to tell the House what she was doing when her office, as she says, was getting on with the business by itself.

We have been told that the matter was authorised. What was actually authorised was a conspiracy by people in the Department of Trade and Industry and people from the right hon. Lady's office to disclose certain parts of a letter written by a Law Officer to another member of the Cabinet about a matter of important public business. That was their way, we are told, of putting it into the public domain. That was the route chosen—not by open means, but by subterfuge and dishonest means.

We have been told that there was an inquiry. Indeed, there have been answers in the House from Ministers, including the Prime Minister, saying that an earnest inquiry was being undertaken in the normal fashion. We have to ask: why was there an inquiry when everybody knew what had happened? Why was there an inquiry when everybody knew that there would be no prosecution because the dispensation had been given? The only precedent comparable with this act of contrived insincerity is the way in which Macbeth so fiercely looked around for Duncan's murderers.

We hear from the Prime Minister that an immunity was offered. Why was that the case when it was plain that there was to be no prosecution?

We have heard a shabby story—an effort to defraud the public. The fact is that the Prime Minister, the Secretary of State for Trade and Industry and everyone else involved would have got away with it were it not for the fact that in this democracy ultimately the Prime Minister had to make a statement. They would have dealt with the former Member of the Cabinet, the Secretary of State for Defence, not by the means available to the Prime Minister, if she believed that he was acting contrary to the national interest—not by sacking him—but by trying dishonestly and covertly to subvert him. That is a profound dishonesty. For the Government to leak in order to inform and influence public opinion is normal. For a Government to leak in order to discredit anyone is shameful. For a Government to leak in order to subvert a member of that Government is the action of a Government who are rotten not just to the core but from the core, and they should go.

The Prime Minister: I totally reject much of what the right hon. Gentleman said. As he has seen from the Solicitor-General's letter, the Government had a duty to give accurate information and not to give any misleading information because that information could be used to make commercial judgments. Because there was a possible inaccuracy, it was important to get accurate information into the public domain in time for the meeting at 4 o'clock. I agree, as I have said, that it should have been done by a more correct method. The fact is that I was not consulted, as I indicated in the statement. Yes, I did institute an inquiry and the right hon. Gentleman would have been the first to castigate me if I did not. *[Interruption.]*

Mr. Speaker: Order. The Leader of the Opposition was heard in silence. The Prime Minister deserves a fair hearing.

The Prime Minister: I instituted an inquiry. It started on 14 January. I instituted that inquiry to find the full facts because they were not known. The inquiry reported on 22 January and I have made a full statement today, 23 January.

Sir Edward Gardner (Fylde): Does my right hon. Friend the Prime Minister agree that if, as appears to be the case, my right hon. and learned Friend the Secretary of State for Trade and Industry had been aware, or been made aware, of what he believed to have been the misleading information which could have seriously damaged the future of Westland, would there not have been an overriding and imperative duty to correct that misleading information to protect Westland from further damage and that if he had not fulfilled that duty he would have been failing in his duty as Secretary of State?

The Prime Minister: I believe that my hon. and learned Friend's analysis is the correct one. The Government had a duty to see that no misleading statements were made. Therefore, possible inaccuracies had to come into the public domain at the relevant time because commercial judgments were about to be taken.

Mr. David Steel (Tweeddale, Etrick and Lauderdale): Is the Prime Minister aware that her statement reveals yet another chapter of shabby and astonishing behaviour in the higher reaches of her Government? Does she recognise that she owes the House and the Civil Service an apology? She allowed nine days of a charade of an inquiry when she

[Mr. David Steel]

could have cleared up the matter in 10 minutes by calling in her colleague, the Secretary of State for Trade and Industry and her own press officer.

Why was the Solicitor-General not told that his letter was to be used in this way? Why was the right hon. Lady's colleague, the then Secretary of State for Defence, not told that the letter was to be made public? If it was so important to make the matter public, why was there not a clear Government statement of policy rather than the hole-in-the-corner method used? Is the right hon. Lady aware that, if she were living in the real world outside and this inquiry had been conducted, she would now be on a charge of wasting police time?

The Prime Minister: The inquiry was set up to establish the facts—

Hon. Members: You knew.

Mr. Speaker: Order.

The Prime Minister: If I had refused demands for an inquiry, the right hon. Member for Tweeddale, Ettrick and Lauderdale (Mr. Steel) would have criticised me. The inquiry established many facts which were not known to me. The right hon. Gentleman said that I could have cleared up the matter without an inquiry. That is not what he would have said had I failed to follow that course.

Mr. Alex Fletcher (Edinburgh, Central): Is my right hon. Friend aware that there are Conservative Members whose first consideration in this matter is the integrity of Government? Is she satisfied that the statement that she has made this afternoon has enhanced the integrity of her Government?

The Prime Minister: I have tried, having set up an inquiry and received the full report yesterday, to give as full an account as I possibly can, because the House deserves to have it.

Mr. Michael Foot (Blaenau Gwent): Does the right hon. Lady recall that a week ago, when I asked her about it, she said that the inquiry was going ahead but it was not the custom in any sense to make a report to the House, and she was not going to do so? When she gave that answer to the House and drew a veil over the proceedings, saying that the inquiry was going to proceed, she must have known all the facts. So she was concealing the truth from the House and the country. When will she apologise for that?

The Prime Minister: No, the right hon. Gentleman is not correct. I did not know all the facts, and that is why an inquiry was set up. It is not the usual tradition or custom to give the outcome of such inquiries. There have been rare exceptions when that has been the case. One such exception was on 1 July 1976, when the results of an inquiry were published and a statement made about the disclosure of information regarding child benefit. When I got the result and the report of the inquiry, I knew full well that it would have to be one of the exceptions, when a full statement would have to be made. I have made such a full statement because that was what the House wanted and required.

Mr. Michael Colvin (Romsey and Waterside): Does my right hon. Friend agree that, if we need lessons in

leaking, we have only to read the Crossman and Castle diaries, from which we would learn that previous Labour Governments leaked like sieves?

The Prime Minister: I think that there would have been a different way had there been more time. Hon. Members should remember that there was a time constraint. It was urgent because of that meeting at 4 o'clock that afternoon.

Mr. Merlyn Rees (Morley and Leeds, South): Is the Prime Minister aware that, as I listen to and watch this tawdry saga rattle on, I no longer care about the relationships between Trade and Industry Ministers and industrialists? I no longer care whether the machinery of Government is being run properly. All that I know is that if as Home Secretary, I had set up an inquiry, and people came back and said, "But, sir, you authorised it", I should have resigned.

The Prime Minister: No. I have, in fact, in a long statement, given the facts, I hope, showing that I was not consulted. I hope that the right hon. Gentleman will have the decency to accept that statement.

Mr. Michael Heseltine (Henley): If what I said in the letter, which was apparently so difficult, caused such concern, as it was in the hands of No. 10 and the Department of Trade and Industry on the Friday afternoon, and there was no protest from colleagues about its contents, and as the first that I heard of concern was late on the Saturday night, when the Solicitor-General told me that he would be writing on the Monday, would it not have been possible for colleagues to have considered, discussed and perhaps even agreed any withdrawal of anything in my letter that was misleading? As I did respond to the Solicitor-General, and as the text of his letter has been published, would it not be now right for the text of my reply to be published as well? Does the Prime Minister accept that every word of the letter that I sent to the European consortium stands uncorrected by any statement by this Government?

The Prime Minister: The problem would never have arisen had my right hon. Friend cleared his letter with the Solicitor-General because it was upon the basis of that letter that commercial judgments would have been made. My right hon. Friend did not do that. He knew full well that I had cleared every word of my letter because it was thought that it might be included in or material to the prospectus. Had my right hon. Friend cleared his letter, this problem would never have arisen.

Dr. David Owen (Plymouth, Devonport): Will the Prime Minister now tell the House when her office told her that it had given cover to the Secretary of State's office to reveal the letter? Did that happen on 6 or 7 January? When did that happen, and why did she not tell the House as soon as she knew that her office had been involved in the leak? How can the Prime Minister continue to hold the high office that she does when she constituted a leak inquiry in the full knowledge that her office, and by implication she herself, was fully involved in this whole sordid affair?

The Prime Minister: I do not think that the right hon. Gentleman has fully taken into account every single thing in my statement. The inquiry was set up to establish the facts. An enormous number of the facts were not known to me until yesterday—22 January—when I received the results of the inquiry.

Mr. Cranley Onslow (Woking): My right hon. Friend will be aware that many right hon. and hon. Members on the Opposition Benches, like the right hon. Member for Plymouth, Devonport (Dr. Owen), are not really interested in listening to the facts of the full account given by my right hon. Friend. What view does my right hon. Friend think that the House might have taken of any Minister in any Government placed in such an invidious situation by the action of a colleague who had failed in his duty to ensure that correct information was made public as soon as possible?

The Prime Minister: Yes, Mr. Speaker, it would have been much easier, as the facts were commercially sensitive, if the relevant letters had been cleared as mine was with the Solicitor-General. It was vital to have accurate information in the public domain because we knew that judgments might be founded upon that and that the Government could be liable if wrong judgments were made as a result of misleading information. It was to get that accurate information to the public domain that I gave my consent.

Mr. Jack Dormand (Easington): The Prime Minister said that it was an open decision taken by No. 10 to release the letter to the Press Association. Did the Prime Minister see Mr. Chris Moncrieff on the "9 o'clock news" on television last night? Mr. Moncrieff said that there was no way in which he would reveal any details about that letter, about who or where it came from. Is not the right hon. Lady aware that there is no more honourable a member of the Press Gallery than Mr. Moncrieff? Why should Mr. Moncrieff say those words in contradiction to what the Prime Minister has told the House this afternoon?

The Prime Minister: I do not believe that there is a contradiction. I have set out the full facts as a result of the inquiry and I have set them out extremely carefully and accurately. I hope that the hon. Gentleman will consider them with the same care that I have given to expressing them.

Mr. Nicholas Fairbairn (Perth and Kinross): Does my right hon. Friend appreciate that this is probably the House of Commons at its worst when political parties which hope to obtain power and destroy the prosperity that the Government have created wish to make bogus points pretending that they are matters of principle? Should not those parties consult their consciences?

The Prime Minister: I repeat that the report of the inquiry was submitted to me on 22 January. On the basis of the report of that inquiry, most of the facts in which were new to me, I have faithfully reported to the House.

Mr. Roy Jenkins (Glasgow, Hillhead): Is the right hon. Lady aware that as she and her Government sink deeper into the bog of deceit and chicanery, almost her only remaining memorable words will be that there were commercial decisions involved, and that Governments before hers have been activated by considerations higher than that?

The Prime Minister: I note what the right hon. Gentleman says, but when commercial decisions and different reconstructions are made on the basis of a prospectus, legal obligations follow and information should not be misleading. I should have hoped that the right hon. Gentleman would accept that.

Mr. Patrick Cormack (Staffordshire, South): When the Secretary of State for Trade and Industry addressed the House at length last week, did he know that he had authorised the leak?

The Prime Minister: The inquiry was under way. It has now reported and given the facts.

Mr. Tam Dalyell (Linlithgow): When did the Prime Minister's press office first tell her what it had done?

The Prime Minister: I have given as full an account — [Interruption.] — of the inquiry that I established to establish the facts. I have said that I was not consulted at the time.

Mr. George Gardiner (Reigate): Will my right hon. Friend take it from me, as one who worked as a political correspondent in this building for 13 years, that the events which took place in the Department of Trade and Industry, which she has outlined, differ not one jot from the regular practice of Labour Members when they were in government? Will she take it from me that, if there is anger and criticism on the Conservative Benches, much of it relates to the way in which a comparatively straightforward issue is being blown up into so grotesque a debate?

The Prime Minister: Because of the duty to see that accurate information on a commercially sensitive matter was in the public domain, the decision was taken. I have said that I was not consulted at the time. I set up an inquiry to establish the facts. It has established them.

Mr. Jack Ashley (Stoke-on-Trent, South): In view of this afternoon's exchanges, does the Prime Minister consider that in six months' time she will still have the same team and that she will be captain of that team?

The Prime Minister: Yes, Sir.

Mr. David Crouch (Canterbury): I wonder whether I may make a comment as a Back Bencher who has never understood the workings of the official or unofficial channels or the difference between an official statement or a statement attributed to a spokesman. The information that was released was of such importance that it should have been released at that time by whatever means.

The Prime Minister: My hon. Friend is making a comment on the practice of non-attribution. I accept that many comments could be made about that.

Mr. Max Madden (Bradford, West): Will the Prime Minister, who has always sought credit for being the Prime Minister who is always on the job, answer one simple question? When was she told by her officials of their involvement in the agreement to disclose the Solicitor-General's letter by the Department of Trade and Industry?

The Prime Minister: A vast number of the facts in that report were not given to me until yesterday. I am not going to tease out what was and what was not. A number of the facts which came in that report were not known to me until yesterday.

Several Hon. Members rose—

Mr. Speaker: Order. I must bear in mind that we have business questions after this and that this is an Opposition day with two important debates. I propose to allow questions to continue for a further 10 minutes.

Mr. Teddy Taylor (Southend, East): While there may be some hon. Members on both sides of the House who

[Mr. Teddy Taylor]

think that in this fast-moving situation a public statement would have been preferable to an unofficial leak, is it not wrong to allow disagreements on this matter to distract us from the fact that thousands of jobs could have been put at risk if the Government had allowed the board to take a decision on the basis of conflicting advice from different Departments? Now that this matter has been disposed of, should we not let Westland get on with the job?

The Prime Minister: I agree with the points in my hon. Friend's question about the public statements and allowing Westland now to get on with the job.

Mr. Joseph Ashton (Bassetlaw): As it is obvious that the whole episode was conceived to get rid of the right hon. Member for Henley (Mr. Heseltine), whose job was filled within 10 minutes of his leaving the Cabinet, will the Prime Minister tell us what he did wrong to merit such treatment?

The Prime Minister: Perhaps the hon. Gentleman has forgotten that my right hon. Friend the Member for Henley (Mr. Heseltine) took his own decision.

Mr. John Stokes (Halesowen and Stourbridge): Is my right hon. Friend aware that I was in my constituency on Friday and Saturday and that a large number of—*[Interruption]*—did not mention Westland to me? Is she further aware that in my postbag I did not receive one letter on the subject? Has not the matter been blown up by the press and seized on by the Opposition who are short of ammunition to use against the Government?

The Prime Minister: I heard two thirds of what my hon. Friend said and agreed with it wholly. I am sure that the other one third was marvellous.

Mr. David Winnick (Walsall, North): Is the Prime Minister aware that, instead of the robust, fighting statement from her that we were promised by the press, we have had a shoddy, pathetic statement which will not convince most people but which is a perfect illustration of the deceitful way that the Government go about their business? Is she further aware that, while we are, of course, all pleased that no civil servant will be used as a scapegoat, it is plain that if the Secretary of State for Trade and Industry had the least idea of what honour meant, he would have resigned by now.

The Prime Minister: The hon. Gentleman has omitted to mention the fact that I deliberately set up an inquiry to establish the facts. It has established the facts, I have reported to the House upon them within a day of receiving the report.

Mr. John Wilkinson (Ruislip-Northwood): As it was the Government's clear, collective decision before Christmas that Westland's future should rest with the decision of the shareholders and the company, how did my right hon. Friend the former Secretary of State for Defence come to write that extraordinary letter to the chairman of a merchant bank which was acting on behalf of one of the parties involved with the potential rescue? In those circumstances, was it not right for the Law Officer and my right hon. and learned Friend the Secretary of State for Trade and Industry to take extraordinary measures to give the true and accurate facts.

The Prime Minister: It was a unique situation. My right hon. and learned Friend the Secretary of State for Trade and Industry had a duty to see that the facts were available at the relevant meeting. It would have been better if we had all followed the same procedure during that difficult and sensitive period and cleared our letters with other Departments and with the Solicitor-General.

Mr. Bryan Gould (Dagenham): On this issue and many others, have not the Government become one where the merest assertion of Prime Ministerial power and patronage is deemed sufficient to sweep aside principles and honour?

The Prime Minister: No, Mr. Speaker. There are some who would allege that Prime Ministerial power was not sufficiently in evidence during part of the incident.

Dr. Keith Hampson (Leeds, North-West): Is my right hon. Friend aware that all hon. Members would prefer accurate information to be placed in the public domain? The information had to be accurate for the shareholders of Westland. Would it not have been better if, instead of leaking a small part of the Solicitor-General's letter to do the most damage to a colleague, there had been a delay so that the reply of my right hon. Friend the Member for Henley (Mr. Heseltine), which was accepted by the Solicitor-General, and the evidence for which the Solicitor-General had asked, could also be released so that the shareholders could make a proper judgment?

The Prime Minister: I think that it is essential to get into the public domain the fact that there were possible inaccuracies which were relevant to that situation. I accept at once that it would have been better if a statement had been made or if the information had been released in a different way.

Mr. Dick Douglas (Dunfermline, West): The Prime Minister has given us certain detailed information as to the factual accuracy of what happened. Can the Prime Minister help me as I am a layman and not a lawyer and, as I understand it, the Solicitor-General's expertise is in legal matters. What vital legal consideration was at stake on this issue? Did the Solicitor-General know that his letter would be leaked?

The Prime Minister: In the letter which I quoted, and which the hon. Gentleman knows has been released fully into the public domain, the Solicitor-General said, in respect of what my right hon. Friend the then Secretary of State for Defence had written:

"It is foreseeable that your letter will be relied upon by the Westland Board and its shareholders.

Consistently with the advice I gave to the Prime Minister on 31 December, the Government in such circumstances is under a duty not to give information which is incomplete or inaccurate in any material particular."

That is because of the prospectus point.

Mr. D. N. Campbell-Savours (Workington): Is the Prime Minister aware that when in future the people of Britain examine these days, they will say that the Prime Minister did not tell the truth. Is the Prime Minister aware that in 1963 Mr. Profumo, in admitting to the House that he had deliberately misled it, was found to be in contempt, and that he admitted his contempt? Does the Prime Minister not accept that this matter would be best dealt with by the Committee of Privileges, which is in a position to find out the nature of the contempt that has taken place?

The Prime Minister: I totally reject and resent the hon. Gentleman's assumption.

Mr. Norman St. John-Stevas (Chelmsford): Is the Prime Minister aware that, whatever the faults of the Government in handling this situation—and there have been grave faults—nothing justifies the farrago, the hypocrisy, the humbug and the cant that we have had to endure from right hon. and hon. Labour Members?

The Prime Minister: I am grateful to my right hon. Friend. Throughout, I thought it absolutely vital that, as Westland had, the choice, it should be able to make that choice on the basis of accurate, and not misleading, information. That will continue to be our policy.

Mr. Terry Davis (Birmingham, Hodge Hill): Does the Prime Minister think that it should need an inquiry for her to learn what had been authorised by a member of her Cabinet?

The Prime Minister: Had I attempted not to have an inquiry and said, "I will do it internally," right hon. and hon. Gentlemen opposite would have been the first to criticise.

Mr. Douglas Hogg (Grantham): Does my right hon. Friend accept that the general judgment will be that we have had a candid speech. It was clearly in the national interest, and in the interest of the company, that the information should have been discussed. All we are talking about is the manner of the disclosure, and that is an essentially trivial and minor matter. Does my right hon. Friend also accept that the electorate will not easily forget those who perpetuate this matter out of narrow, personal and political interest?

The Prime Minister: I am grateful to my hon. Friend. I only add one thing—I wish that the manner of the disclosure had been different and more orthodox.

Mr. Nigel Spearing (Newham, South): The Prime Minister has told the House that the Secretary of State for Trade and Industry authorised what she called "material elements" in the Solicitor-General's letter, and not the whole letter. The Prime Minister said that this was covered by Downing street. Can the right hon. Lady tell the House to whom Mr. Ingham is accountable and who decides his standing orders?

The Prime Minister: I have looked carefully at the statement, and I ask the hon. Gentleman to look carefully at the statement to see what was agreed and what was accepted. It was drafted absolutely in accordance with the report that I received. I should like to say that Mr. Ingham has served successive Governments with devotion and dedication, and I have great confidence in him.

Mr. Jerry Wiggin (Weston-super-Mare): My right hon. Friend did not mention this in her statement, but may we take it that the writer of the letter, the Solicitor-General, gave his approval in advance that part of the letter should be selectively leaked to the press?

The Prime Minister: No, Sir, and I deeply regret that.

Mr. Tony Banks (Newham, North-West): The Prime Minister said that she feels that the information in the letter

could have been made public in other ways than through a leak. Can the Prime Minister say in what ways it should have been given to the press?

The Prime Minister: It is now a hypothetical question. The alternative way would have been to make a straight statement. As the hon. Gentleman knows, things were not easy at that time. The people concerned—I say again that I was not consulted—were up against a severe time constraint, as I said in the statement.

Mr. Patrick Nicholls (Teignbridge): Does my right hon. Friend find it remarkable that the Opposition's indignation on the question of leaks is selective? Why, for instance, do we not hear about the leak of Sir Raymond Lygo's letter to my right hon. Friend the Member for Henley (Mr. Heseltine)? All this hot air amounts to the fact that if a leak will damage the Government the Opposition will highlight it, and if it does not damage the Government they will ignore it completely.

The Prime Minister: I am grateful to my hon. Friend. I repeat again that I believe it was right not to have potentially misleading information at a time when important commercial decisions were about to be taken which involved the future of a particular company.

Mr. George Foulkes (Carrick, Cumnock and Doon Valley): Will the Prime Minister give the House an assurance now that when she has "teased out" the details, as she describes them, she will tell the House exactly when she was told of her officers' involvement in the disclosure?

The Prime Minister: I set up an inquiry to find out the facts. I discovered most of the facts when the inquiry had been reported.

Sir Peter Hordern (Horsham): It has been known for many years that the people who stand in the greatest danger in this place are Lobby journalists. They risk being run over and tripped up by Cabinet Ministers and others trying to tell them secrets. Of course it would have been better to make an open statement at the time, but we are making too much fuss about a tiny company—one about the size of a moderate hotel in north London. It is time that we got on with some proper business.

The Prime Minister: As I understood it, we had a clear duty to see that accurate and not misleading information was put into the public domain at the time. My right hon. Friend carried out that duty, and I agree that his judgment of getting it into the public domain was right, but I did not like the way in which it was done.

Mr. Neil Kinnock (Islwyn): On a point of order, Mr. Speaker. Because of the wholly unsatisfactory and unconvincing nature of the Prime Minister's statement and replies this afternoon, I wish to give you formal notice that I shall, at the appropriate time this afternoon, seek leave to move the Adjournment of the House under Standing Order No. 10.

Several Hon. Members rose—

Mr. Speaker: Order. I have a statement to make.

Departmental Minute

4.20 pm

Mr. Speaker: Following points of order yesterday, I have looked at the further document handed in by the hon. Member for Workington (Mr. Campbell-Savours) yesterday which purports to be an extract from the official minute of the meeting held on 17 October between the Secretary of State for Trade and Industry and Sir John Cuckney. I note that there are only minor differences between this extract, and the words quoted by the hon. Member from the minute which he said he was using when he put his original point of order to me on Monday.

These differences do not affect the ruling I have already given that the passage in the speech of the Secretary of State, of which complaint has been made, was not a quotation. It is to be expected that if an accurate account is to be given to the House of a meeting, doubtless some words will be found to be common to both the account and any record of that meeting. But our rule is concerned solely with quotation, and I have ruled that there was no quotation on this occasion.

I confirm what I said yesterday. I am not responsible for looking behind what is said in the House to check whether words used by Ministers are also to be found in official documents. It would put an impossible burden on any Speaker to ask him to do that. I intend to continue to uphold the house's rule on this matter as set out in "Erskine May" which has now been quoted several times, and in so doing, I shall be continuing to act in exactly the same way as my predecessors have done.

Mr. D. N. Campbell-Savours (Workington): On a point of order Mr. Speaker.

Mr. Speaker: Order. I have made my ruling and nothing arises.

Mr. Campbell-Savours: I merely wish to thank you for your ruling, Mr. Speaker.

Mr. Andrew Faulds (Wartley, East): On a point of order, Mr. Speaker. I have another point of order altogether.

Mr. Speaker: Order. I shall take it after the business statement.

Business of the House

4.22 pm

The Lord Privy Seal and Leader of the House of Commons (Mr. John Biffen): With permission, Mr. Speaker, I should like to make a business statement. The business for next week will be as follows:

MONDAY 27 JANUARY—Second Reading of the Airports Bill.

TUESDAY 28 JANUARY—Second Reading of the Social Security Bill.

Motion on the London Regional Transport (Levy) Order.

WEDNESDAY 29 JANUARY—Opposition Day (5th Allotted Day). There will be a debate on a motion in the name of the leader of the Liberal party. The subject for debate to be announced.

There will be a debate on a motion to approve the recommendations of the House of Commons (Services) Committee Report 1984-85 relating to research assistants.

THURSDAY 30 JANUARY—There will be a debate on the Army on a motion for the Adjournment of the House.

FRIDAY 31 JANUARY—Private Members' Bills.

MONDAY 3 FEBRUARY—Second Reading of the Housing and Planning Bill.

Mr. Kinnoch: I am grateful to the right hon. Gentleman. When are we likely to have a debate on the public expenditure White Paper? Will he reassure us that there will be a debate on the White Paper on the Channel fixed link well before the signing of the treaty between France and Britain in about three weeks' time? Does he agree that it would be intolerable if Britain were tied in to a binding treaty before Parliament had had a chance to give its view on the issue and vote on it?

Will the right hon. Gentleman ensure that there is an early statement on Denmark's position in the EEC now that the Danish Parliament has rejected the reform package? Finally, when will the House get an opportunity to debate the Green Paper on rate reform?

Mr. Biffen: Perhaps I might answer the right hon. Gentleman's questions in reverse order. A statement will be made on the rate reform proposals. Perhaps through the usual channels we could then consider the appropriate time for a debate. I shall of course draw the attention of my right hon. and learned Friend the Foreign Secretary to what the right hon. Gentleman said about Denmark and the EC in the context of the reform package. I recognise the continuing interest for another debate on the Channel tunnel in the context of the White Paper. I do not think that there is any likelihood of the treaty becoming effective before the House has considered the matter. Finally, I hope that we might be able to consider further through the usual channels a debate on public expenditure.

Mr. Nicholas Winterton (Macclesfield): My right hon. Friend is aware that the textile and clothing industries employ one in 10 of those employed in manufacturing in Britain. I am sure that he is also aware that the multi-fibre arrangement is at a critical stage. If the Danish Parliament is able to stand up for the best interests of the Danish people, will he ensure that this Parliament has an opportunity to express its views on how the MFA is going and the European approach before any agreement is signed?

CONFIDENTIAL



Prime Minister
to note - the
CST is not wanted

Treasury Chambers, Parliament Street, SW1P 3AG

Nigel Wicks Esq
Private Secretary
10 Downing Street
London
SW1

to cause difficulty,
but simply to put
the record straight

23 January 1986

will you please
N.L.W
23.1

Dear Nigel

WESTLANDS

The Chief Secretary has asked me to draw attention to the passage in the Prime Minister's statement this afternoon that

"The text of my letter of 1 January 1986 was agreed in detail by the Secretary of State for Trade and Industry, the Secretary of State for Defence, the Chief Secretary and finally by the Solicitor General."

The Chief Secretary was not informed that this was going to be said. Had he been consulted, he would have pointed out that this is incorrect. An early draft was seen by his Private Office who showed it to Treasury officials who in turn offered some comments directly to Charles Powell. However neither this draft nor the final text, which was very different, was seen by the Chief Secretary before the Prime Minister sent her letter on 1 January, let alone agreed in detail by him.

The Chief Secretary feels that it is important that this is drawn to the Prime Minister's attention before the debate on Monday, 27 January.

Yours ever
Richard Broadbent

R J BROADBENT
Private Secretary

CONFIDENTIAL

010



H. STEEL, CMG OBE
LEGAL SECRETARY

SECRET

cc for R.T.A.

LAW OFFICERS' DEPARTMENT
ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

Prime Minister

to see.

Nigel Wicks Esq
The Prime Minister's Office
10 Downing Street
London SW1

N.L.W.
23.1 23 January, 1986

Dear Nigel,

As you know, the Solicitor General has made a note of the part which he himself, and this Department, played in the circumstances which led up to his decision to send his letter of 6 January to Mr. Heseltine and subsequent related events. Though the circumstances in which the letter came to be written ought not to be relevant to the discussion which will follow this afternoon's statement by the Prime Minister, it is possible that questions on that matter may be addressed to her and she may be drawn on it. He therefore thinks that she might find it helpful to see the attached two extracts from his note: she may not at present be aware of all the details.

Yours etc,
H Steel

H STEEL

Seen by PM.
MW
23.1

SECRET

On Monday morning 6 Jan I reconsidered the documents with Mr Saunders and we both firmly confirmed the provisional opinion we had formed on Saturday. I accordingly drafted with Mr Saunders a letter to Mr Heseltine which was brought to me for signature at about 11.15 a.m. while I was conferring with the A.G. and the D.P.P on the Roskill Report. I left the room to check it, signed it, handed it over to Mr Saunders, and returned to the A.G. It was classified 'Confidential'. It was copied, as had the previous correspondence to the P.M. Sof S DTI, Foreign Secretary and Chief Secretary. I emphasised in my letter that I had seen no more evidence than that contained in the above documents, but that, consistently with my previous advice to the P.M (which itself had been copied to MOD) I considered that the Government was under a duty not to give information which is incomplete or inaccurate in a material particular and advised the Sof S to write again to Mr Horne correcting the inaccuracies.

12.30 1p-

I should add that at about 11.20 a.m. on Monday 6 January, No.10 - Mr Powell - telephoned Mr Saunders to inquire 'What view the S.G. had taken and if the S.G. was writing to Mr Heseltine.' He was told that a letter had been signed and that No 10 would be getting their copy very shortly.

My decision to write to Mr Heseltine was taken entirely in my own discretion, after consulting Mr Saunders, who was of the opinion that the facts as known to me demanded it, for the reason I have identified. I was certainly not instructed to write, nor was I asked to write, by or on behalf of the P.M. or anyone else. I was asked to consider writing.



10 DOWNING STREET

Nigel White

Here are some of the
most difficult supplementations
on one page (with
copies attached).

You will see that
! Law had a further
thought (no 8) which I
have written only a few
top copy.

Steven

23/1

12.25 pm.

DIFFICULT SUPPLEMENTARIES

1. On what date did the Prime Minister set up the leak enquiry; and on what date was she first made aware that her office had authorised the leak?
2. Was the SOS for Trade and Industry aware in advance of the means by which this letter would be made public; and did he approve it?
3. Was the Solicitor-General made aware at any stage that any of the contents of his letter to the SOS for Defence would be made public; and if not, why not?
4. The Prime Minister has said that "it was not possible to proceed by way of a formal and agreed statement" Why not?
5. Why is it that officials in the MOD (Clive Ponting) who leak documents without Ministerial approval but which they believe to be in the national interest are prosecuted; whereas officials in No. 10 who also leak documents without Ministerial approval but which they also believe to be in the national interest are not similarly prosecuted?
6. Is the Prime Minister not in effect saying that, because she did not have the guts to sack the then SOS for Defence, it was perfectly acceptable for her office to use the methods of Clive Ponting and Sarah Tisdall to discredit a senior member of her Cabinet.
7. What would be the Prime Minister's view if her office, without her permission, had leaked confidential documents which instead of being helpful to her, were unhelpful?

8. As recently as last Thursday (Jan 16), the PM said that traditionally the result of leak enquiries are not made public. Does this imply that it was her intention to cover up what she has just been forced to announce?

SS
23.1.86

1. HAVE YOU OFFERED TO RESIGN OR ARE YOU GOING TO DO SO?

A: No. I shall not, however, remain any longer than I command the confidence of the Prime Minister. I understand that I retain that confidence.

2. HAVE YOU BEEN REPRIMANDED, DISCIPLINED OR DO YOU EXPECT TO BE?

A: No.

3. DID YOU AUTHORISE A LEAK?

A: No. I did not ^{however} seek to prevent the communication of information to PA.

4. DID YOU REFUSE TO LEAK?

A: All I can say is that I did not communicate with the PA.

5. WHY DID NO 10 NOT ISSUE THE INFORMATION?

A: I took the view that the communication of this information was a matter for the sponsoring Department and not for No 10.

6. DO YOU AGREE WITH THE PRIME MINISTER IT WOULD HAVE BEEN BETTER TO MAKE AN OPEN STATEMENT?

A: Yes. I am never happy with leaks. I suffer too much from them. In an ideal world it would have been much better to find another way of communicating the information to the public. But I do not operate in an ideal world and the whole of the Westland affair has been far from ideal. It has demonstrated the problems which arise when a Minister breaks Cabinet collective responsibility. Those problems became particularly acute during the day in question and were compounded by pressures of time.

7. DID YOU SUGGEST AN ALTERNATIVE METHOD?

A: No. But I did consider alternative methods and rejected them on the grounds of time.

• DO YOU ACCEPT THIS WILL DAMAGE YOUR PROFESSIONAL REPUTATION?

A: I don't suppose it will help among those who want to criticise or think ill of you. But that is the hazard of the job. I count myself fortunate if, as I hope I can, rely on a reputation built up over more than 6 years with the Prime Minister.

SHOULD YOU NOT HAVE TOLD THE PRIME MINISTER ALL THE FACTS?

A: I was perfectly content for the whole of the circumstances to be investigated, a report to be prepared and the outcome to be disclosed. I cooperated fully with the inquiry.

WHAT WAS MR. HESELTINE'S RESPONSE TO THE LETTER?

As was reported at the time, my Rt. Hon. Friend replied to the Solicitor General drawing his attention to additional material which the Solicitor General had not seen and which he believed to be more than sufficient to sustain the statement he had made to Lloyds Merchant Bank.

The Solicitor General then indicated that the additional evidential material supplied was identified in terms too general for him to form a view. He therefore indicated that the judgment as to whether my Rt. Hon. Friend's letter to Lloyds Merchant Bank was accurate must remain the responsibility of my Rt. Hon. Friend the Member for Henley.

My Rt. Hon. Friend the Member for Henley wrote again to Lloyds Merchant Bank confirming his original letter.

Why the charade of an "inquiry" when you knew the facts?

As my statement makes clear, the story is quite complicated. I thought it important to establish all the facts.

Is the Prime Minister endorsing the leaking of information in this way - particularly of confidential advice given by the Solicitor General?

Clearly better ways could and should have been found to make the relevant information public. But I believe my Rt. Hon. and Learned Friend's basic intention was correct.

(Learn)
Why was the leak selective? (Omission of point that letter written "on the basis of information available to me)."

It was important to get the main elements of my Rt. Hon. and Learned Friend the Solicitor General's advice into the public domain very quickly.

Was the selective quotation misleading?

Not in the unusual circumstances then surrounding public comment on Westland. My hon and Learned Friend's letter has, of course, subsequently been published in full.

What did you do to try to reconcile conflicting views?

I had already done this in the preparation of my letter of 1 January.

Nigel

Mundo reports that the Opposition have formally requested a statement from the PM today. He has said that the position is as the LPS described it at 3.30 but has undertaken to come back to them while the Shadow Cabinet is meeting. It starts at 5 o'clock.

17.

PN receive rept late body
of the High
+ PN will make a statement late body tomorrow

Nigel

THE P.M. CAN GO ONLY SO FAR IN
SUPPORT OF L.B.: - SHE CAN AGREE HIS
DECISION TO PUT THE ALLEGED INACCURACIES
IN THE PUBLIC DOMAIN.

SHE NEED NOT (AND MUST
NOT!) ENDORSE ① THE DECISION TO "LEAK",
AND LEAK IN PART NOT IN WHOLE, RATHER THAN
OPENLY GO PUBLIC.

② THE DECISIONS NOT TO
ADVISE THE SOLICITOR-GENERAL OR SEC. OF DEFENCE.

Developments in the House

Demand for statement for Baker (Kinross/Morris) and Athana (Owen/Steel) claims that it is wrong for newspapers to be aware of outcome of leak inquiry, not the Home Office named Glotter Bone. Lord Privy Seal said "all the procedures in relation to the leak inquiry have not yet been completed. Question of a Government statement to be discussed through the usual channels".

Owen/Steel demand for statement today of procedures completed today.

Subsidiary Pt of order

Campbell-Savours queried for leak to 18 October and claimed it proved that since LB was giving, whole document should be laid. Speaker trying to hold line but promised to look at "new evidence".

QUESTIONS RAISED.

1. WHY WAS THERE NEED FOR AN INQUIRY?

FOR HOW LONG WAS THE P.M. UNAWARE OF THE DECISION TO LEAK PARTS OF THE LETTER?

2. L.B. MAY HAVE BEEN RIGHT TO BRING THE SOLICITOR/GENERAL'S VIEWS "INTO THE PUBLIC DOMAIN". THE P.M. MAY HAVE COME TO THE SAME DECISION IF INFORMED: BUT.

① SHOULD IT NOT HAVE BEEN DONE OPENLY?

② SHOULD THE SOLICITOR/GENERAL NOT HAVE BEEN INFORMED?

③ SHOULD THE SEC. OF STATE FOR DEFENCE NOT HAVE BEEN INFORMED?

THE MANNER OF BRINGING A "PRIVATE AND CONFIDENTIAL" LETTER INTO THE PUBLIC DOMAIN WAS DISHONORABLE. AND HOW CAN L.B. EXPLAIN THE CONTRADICTION BETWEEN HIS "MISLEADING" THE HOUSE RE THE AUSTIN PIERCE LETTER, BECAUSE OF HIS COMMITMENT TO CONFIDENTIALITY, AND HIS MAKING AVAILABLE S-G'S LETTER TO M.H.?

THE P.M. STANDS [V. GALTIERI OR SCANGILL!]

FOR THE RULE OF LAW.

THIS IS STARTING TO LOOK LIKE EXECUTIVE
PRIVILEGE; AND IS WESTLAND OUR WATERGATE?

IF I'M NOT CONVINCED, AND I WANT TO BE,
WILL THE GENERAL PUBLIC BUY IT?

I'M SORRY TO BE UNHELPFUL, BUT I CANNOT
PRETEND THAT I FIND THE STATEMENT
CONVINCING!

ARE THE ALTERNATIVES BEING CONSIDERED.

Why did LB not consult P...
with reply to SG letter?
No 10 prompted SG letter.

As at 23/1 9am

Praghen warned that
letter was coming.

Q1. When did the inquiry start?

? A. [~~When I announced it to the House~~ On ¹⁴~~12~~ January¹⁴]

What did DT1
tell Cuckney about
SG letter?

Q2. Why was there a delay in setting up the inquiry since
6 January?

Is PM endorsing
method of leak?

A. Not an unusual amount of time elapsed.

Q3. Why a leak inquiry, given the circumstances revealed in
your statement?

A. ~~I wanted to ensure that the normal procedures regarding
disclosure of information were followed most
scrupulously.~~ It was necessary to find out all the
facts.

Q4. When was the inquiry completed?

A. On 22 January.

Q5. When did the Attorney General receive the report?

A. On 22 January.

Q6. Why did the Prime Minister say (Col 1208, 16 January) of
the custom with regard to leak inquiries - "Their outcome
is not announced" when there are precedents for
announcing the results?

A. There is no precedent for making public the report of a
leak inquiry. On occasion the outcome has been made
known.

? ¹⁴For example, as when the rt. hon. Member (Mr. Callaghan)

?

announced to the House on *1 July* 1976 the results of an inquiry into the disclosure of information regarding child benefits.

But it certainly is the case that it is not the normal custom to announce the outcome of inquiries. Doing so in this case because it is right to do so.

Q7. What has happened about inquiries into other leaks during the Westland affair, and especially into the leak in the Observer of Sunday 22 December into Mr. Brittan's minute of 4 October?

A. That inquiry is still continuing.

Q8. Will the outcome of that inquiry also be made known?

A. I have not yet received a report.

Q9. Is a leak inquiry being instituted into the source of the article in the Financial Times of 22 January headed "Younger considers cancelling Nimrod early warning aircraft"?

?

A. ~~That is being considered.~~

No. Like many such stories, that is mere journalistic speculation: no leak of official information underlies it.

Q10. Will the Prime Minister publish the text of Sir Robert Armstrong's report of his inquiry?

A. No.

Q11. Is a Minister of the Crown, including the Prime Minister, permitted to leak a classified document, whether or not it contains the advice of Law Officers? What rules, conventions, or law cover the disclosure of advice by the

Law Officers?

A. A disclosure of official information with the authority of the Government does not constitute a leak.

Q12. Who drew the attention of the Solicitor General to Mr. Heseltine's letter to Mr. Horne?

A. ^[At my request] The Secretary of State for Trade and Industry, as the sponsoring Minister for Westland, drew the attention of the Solicitor-General to Mr. Heseltine's letter.

Q13. Why was it felt necessary to make known publicly the Solicitor General's doubts about the accuracy of Mr. Heseltine's letter to Mr. Horne? And why the urgency to get it out before Westland's press conference? Could not the purpose have been served by a message to Westland's board?

A. As I said in my statement, it was the policy of the Government agreed by the Cabinet that it should be left to the Westland Company to decide what course it was best to follow. That being so, it was important that it should be made known publicly that there were thought to be material inaccuracies which needed to be corrected in my rt. hon. Friend the Member for Henley's letter of 3 January, which had itself been made public; and that this fact should if possible become public knowledge before Sir John Cuckney's press conference at 4.00 p.m. that afternoon.

[Following discussions between the company and the Department on 3 Jan about Mr Heseltine's letter, Sir John Cuckney was told privately of the S-G's views.]

Q14. Did Westland ask for the information to be made public that day before its press conference?

A. No.

Q15. Would there not have been time for a short public

statement to be made calling Mr. Heseltine's assertions into question rather than a hole-in-the-corner operation? Why not have given the Press Association an attributable statement?

- A. Impossible for one Secretary of State to make a public statement contradicting that of another Secretary of State. My rt. hon. Friend took the view that there was a pressing urgency to bring the information into the public domain and there was just not time to prepare and reach agreement on a separate formal statement in view of his belief that the then Secretary of State for Defence would have contested the Law Officers' view.

Q16. Were the Law Officers consulted at any time over the intended leak to PA, and did that idea occur to anyone?

- A. No.

Q17. Is there any question of prosecution of any Minister or official, leaving aside the official who has been granted immunity? Does your statement close the chapter so far as criminal proceedings are concerned?

- A. As my statement makes clear, my rt. hon. and learned Friend the Attorney General has decided that there is no case for proceeding under the Official Secrets Act in respect of any of the persons concerned in this matter.

Q18. If so, does this not reveal there is one Official Secrets Act for Ministers and senior civil servants and one for more junior grades?

- A. No, because this disclosure was made with authority.

Q19. Will you name the officials involved?

A. No.

Q20. Are they to be disciplined or removed to other posts?

A. No reason to do so.

Q21. Why wouldn't your office leak the vital piece of information, given the urgency?

A. It was the responsibility of the Department of Trade and Industry as the sponsoring Department for Westland to bring the relevant information into the public domain.

Q22. Was No. 10 trying to distance itself from dirty tricks?

A. Not at all.

Q23. When was the Solicitor General's letter to Mr. Heseltine available in the Secretary of State for Trade and Industry's Office?

A. ~~1.30 p.m.~~ *Around noon.*

Q24. When was the Solicitor General's letter to Mr. Heseltine available in No. 10?

? A. About the same time. *around noon.*

Q25. Why did Mr. Brittan not see it until 1.30?

A. He was at an engagement outside his Department. He did

not see the letter. It was read to him over the telephone.

Q26. Has the Law Officers' independence been compromised?

A. Not at all. ^{My HELF style} Law Officers ^{and impartial} will ^{gave independent advice on his own judgment} continue to carry out ~~their traditional role as they have done in this case.~~

Q27. Has any Minister or Law Officer offered their resignation?

A. This did not arise.

Q28. What is the Government's attitude now to OSA Section 2.

A. [What the Prime Minister said in the House recently].

Did the Prime Minister authorise the disclosure?

No.

Did her office authorise the leak?

I made the position quite clear in the statement.

But DTI asked permission from No.10 to leak the letter?

I made the position quite clear in the statement.

What part did Mr Bernard Ingham play?

I do not intend to go into details about the role played by individual civil servants.

Did she or her office know in advance the Solicitor General's letter would be disclosed?

I dealt with that in my statement.

Did she or her office receive a copy of the letter before it was disclosed?

Naturally, she was on the copy list along with other Ministers.

Did she know a letter was coming?

Yes my office were so informed by the Law Officers' Department.

Does she now regard the disclosure as justified?

Yes, I have explained in my statement.

If so, why was the letter classified?

~~It is the normal custom for letters to have this grading.~~

That was a judgment made by my H & L F the S-G in the light of its contents.

Has not the Government got double standards in view of the treatment metered out to Ponting and Tisdale?

Their disclosures were not authorised by Ministers.

The Secretary of State was repeatedly asked about the leak e.g. during the debate. He had the answers. Why didn't he give them?

The inquiry was still in progress.

Isn't it disgraceful that a civil servant was instructed by a Secretary of State to break the law?

The law was not broken.

The Prime Minister and Mr Brittan clinging to office regardless of constitutional propriety or personal honours?

He acted properly within his responsibilities.

Mr Brittan breached collective responsibility and confidentiality. Why doesn't he resign or be sacked?

He acted properly within his responsibilities.

If leaking this document was justified why not all the other documents e.g. 4 and 18 October?

~~The letter itself was not leaked. There is no analogy with the documents of 4 and 18 October because they were not material to the commercial judgment and decisions which had to be made.~~

As I have explained in my statement, there were very special circumstances surrounding this particular letter.

Collective responsibility has broken down. Wasn't Heseltine justified?

I quite agree that Mr Heseltine should have cleared his letter to Lloyd's Merchant Bank with colleagues and the Law Officers.

Doesn't this prove Heseltine's point? Brittan was campaigning for Sikorsky/Fiat as he was campaigning for the European option?

As I told the House on 19 December it was the policy of the Government, agreed by the Cabinet, that it should be left to the Westland company to decide what course it was best to follow in the interests of the company and its employees.

If Heseltine behaved so badly why did the Prime Minister not sack him there and then?

I had hoped that the Right Honourable Member for Henley would have been ready to accept ~~the~~ collective responsibility. But his resignation proved that he was not willing to do so.

Ref. A086/233

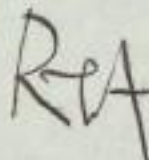
PRIME MINISTER

Westland: Solicitor General's Letter

--- I attach a revised version of the draft of the statement which you are proposing to make in the House of Commons tomorrow afternoon.

2. I have discussed this draft at a meeting with the three officials of the Department of Trade and Industry principally concerned, two members of your office and the Legal Secretary to the Law Officers. The draft is agreed by all concerned, save that the Legal Secretary to the Law Officers says that the Attorney General has not yet finally decided that there is no case for proceeding under the Official Secrets Act in respect of any of the persons concerned in this matter, and wishes to consult further with the Solicitor General and the Director of Public Prosecutions before making a decision on that matter. I have strongly urged that it is desirable that that matter should be decided before you make your statement tomorrow afternoon, and I understand that the Attorney General is due to meet the Director tomorrow morning.

3. I am sending copies of this minute and of the draft to the Lord President, the Foreign and Commonwealth Secretary, the Secretary of State for Trade and Industry, the Attorney General and the Chief Whip. I am also sending copies to each of those who were present at my meeting.



ROBERT ARMSTRONG

22 January 1986

has received from the S-G's letter of 6th January.

DRAFT STATEMENT

With Permission, Mr Speaker, I wish to make a statement.

On the outcome of the enquiry into the disclosure of certain information in

2. As the House knows, the Chairman of Westland plc, Sir John Cuckney, wrote to me on 30 December 1985, asking whether Westland would no longer be considered a European company by the Government if a minority shareholding in the company were held by a major international group from a NATO country outside Europe.

3. Since this question was of fundamental importance to the company, in making its decision as to what course it was best to follow in the interests of the company and its employees, it was essential to be sure that my reply should be in no way misleading to ~~those~~ ^{any one} who might rely upon it in making their commercial judgments and decisions. The reply was therefore ^{considered} ~~discussed~~ in ~~great~~ detail among the Departments concerned, and the text of my letter of 1 January 1986 was agreed ^{word for word} by my Right Hon and Learned Friend the Secretary of State for Trade and Industry, my Right Hon Friends the ^{then} Secretary of State for Defence and the Chief Secretary, Treasury, and ^{finally by} my Hon and Learned Friend the Solicitor General. My letter was made public.

4. Two days later, on 3 January, my Rt Hon Friend the then Secretary of State for Defence replied to a letter of the same date from ^{in the name of} Lloyds Merchant Bank asking him a number of questions. *This exchange of letters became public knowledge on the Saturday* My Right Hon Friend's reply ~~consisted in large part of material which it had been decided not to include in my letter of 1 January to Sir John Cuckney. That reply~~ was not discussed with any other Minister, ~~although~~ ^{also} the reply was ~~also~~ material to the commercial judgments and decisions that would have to be made, my Hon and Learned Friend the Solicitor General was not invited to scrutinise the letter before it was issued.

5. On the morning of 6 January my Hon and Learned Friend the Solicitor General wrote to my Right Hon Friend the Secretary of State for Defence, to say that, in his opinion, and on the basis of the information available to him, one sentence in his letter of 3 January to Lloyds Merchant Bank contained material inaccuracies, ^{with a view to my 4 months!} and ~~to advise~~ the Secretary of State ^{Should} write again to ^{The Hon} Lloyds Merchant Bank correcting the inaccuracies.

~~6. Later that day the existence and part of the contents of my Hon and Learned Friend's letter became known to the press.~~

7. ^{In view} In order that there should be ~~as~~ ^{as comprehensive as possible} an account of the circumstances in which this had happened, I ^{let the whole thing go public. Contents of my} decided, with the agreement of my Right Hon and Learned Friend ^{to be known} the Attorney General, that there should be an inquiry by the ^{known} Head of the Civil Service, who could ask for full accounts from ^{to be} those concerned. That inquiry was completed and submitted to me ^{publicly} yesterday. ^{that}

8. As I told the House on 19 December, it was the policy of the Government, agreed by the Cabinet, that it should be left to the Westland ~~Company~~ ^{Company} to decide what course it was best to follow in the interests of the company and its employees. [That being so, ~~there were good reasons of public policy why it was~~ ^{my statements made on behalf of Government should be accurate that} important that ^{it} it should be made known publicly that there were thought to be material inaccuracies which needed to be corrected in my Right Hon Friend the Member for Henley's letter of 3 January, which ~~had itself been made public,~~ so as to avoid any risk of ^{inaccurate} commercial judgments or decisions being made on the basis of information ~~which was or might be inaccurate.~~ Moreover it was desirable that this fact should if possible become public knowledge before a ~~press conference~~ ^{press conference} which Sir John Cuckney was ^{9 weeks in column} due to make at 4.00 pm that afternoon, in order to announce the Westland Board's recommendation to shareholders of a revised proposal from the United Technologies Corporation/Piat consortium.

Should be made via public speech letter

9. These considerations were very much in the mind of my Right Hon and Learned Friend the Secretary of State for Trade and Industry when the copy of the Solicitor General's letter was brought to his attention at about 1.30 pm that afternoon of 6 January. He took the view that the fact that my Right Hon and Learned Friend the Solicitor General had written to my Right Hon Friend the then Secretary of State for Defence, and the opinion which he had expressed, should be brought into the public domain as soon as possible. He asked his officials to discuss with my office whether the disclosure should be made, (and if so whether it should be made from 10 Downing Street, as he said he would prefer.) He made it clear, however, that, subject to the agreement of my office, he wanted the disclosure to be made, from the Department of Trade and Industry if not from 10 Downing Street. He expressed no view as to the form in which the disclosure should be made, though it was clear to all concerned that in the circumstances it was not possible to proceed by way of a formal and agreed statement.

10. My office were accordingly approached. ~~They made it clear that the disclosure would not be made from 10 Downing Street.~~ They did not seek my agreement: they considered - and they were right - that I should agree with the view of my Right Hon and Learned Friend the Secretary of State for Trade and Industry, that the fact that my Right Hon Friend the Defence Secretary's letter of 3 January to Lloyds Merchant Bank was thought by the Solicitor General to contain material inaccuracies which needed to be corrected should become public knowledge as soon as possible, and before Sir John Cuckney's press conference. They accordingly agreed that the Department of Trade and Industry should disclose that fact, in accordance with the wishes expressed by the Secretary of State, and that in view of the urgency of the matter the disclosure should be made by means of a telephone communication to the Press Association.

11. The report finds, in the light of the evidence as to the conversations that took place between my office and the Department of Trade and Industry, that the Department acted in good faith in the belief that they had the authority of their Secretary of State and cover from my office - and therefore implicitly from me - for proceeding. An official of the Department accordingly told a representative of the Press Association of my Hon and Learned Friend the Solicitor General's letter and the material elements of what it said. ~~No documents were passed.~~

12. Mr Speaker, (as I told the House on 19 December, it was the policy of the Government, agreed by the Cabinet, that it should be left to the Westland company to decide what course it was best to follow in the interests of the company and its employees. That being so,] my right Hon and Learned Friend the Secretary of State for Trade and Industry was in my ~~view~~ ^{judgement} entirely ~~justified~~ ^{right} in his view that the ~~fact that my Hon and Learned Friend the Solicitor General took the view that my Right Hon Friend the Secretary of State for Defence's letter might contain material inaccuracies which needed to be corrected~~ ^{is that my Hon and Learned Friend the Secretary of State for Defence's letter might contain material inaccuracies which needed to be corrected} should become a matter of public knowledge, if possible before Sir John Cuckney's press conference at 4.00 pm that day. In so far as what my office said to the Department of Trade and Industry was based on the belief that I should have taken the same view as my Right Hon and Learned Friend the Secretary of State for Trade and Industry, had I been consulted, they were entirely right.

13. ~~I agree with the judgment of~~ The Head of the Civil Service that no-one acted culpably or irresponsibly in this matter.

I agree with the conclusion.

14. ~~It remains only to add that~~ a copy of the Head of the Civil Service's report has been sent to my Right Hon and Learned Friend the Attorney General, who has authorised me to inform the House that, having considered the report, he has decided that

there is no case for proceeding under the Official Secrets Act in respect of any of the persons concerned in this matter. In order that there should be no impediment to co-operation in the inquiry, my Right Hon and Learned Friend agreed that the Head of the Civil Service should tell one of the officials concerned, whose testimony would be vital to the inquiry, that he had my Right Hon and Learned Friend's authority to say that, provided that he received full co-operation in his inquiry, the official concerned would not be prosecuted in respect of anything said during the course of the inquiry. My Right Hon and Learned Friend tells me that he is satisfied that that in no way interfered with the course of justice: on the facts as disclosed in the inquiry there would have been no question of proceeding against the official concerned.

1. When did the inquiry start? Why the delay? Why the early confusion over the appointment of an inquiry? Why a leak inquiry, given the circumstances revealed in your statement? When was the inquiry completed and when did the Attorney-General receive the report? [NB: The media see significance in the early confusion over whether an inquiry was being mounted; and the amount of time the Attorney-General has had to consider the Cabinet Secretary's report may be thought to be material for mischief.]
2. Why did the Prime Minister say (col 1208, January 16) of the custom with regard to leak inquiries - "Their outcome is not announced" when there are precedents? [- a finnick point which the media has pursued. The media are also saying that without media and Parliamentary pressure/^{the} Commons' statement would not have been made].
3. What has happened about inquiries into other leaks during the Westland affair and especially into the leak in the Observer of Sunday, December 22 into Mr Brittan's minute of October 4?
4. Is a leak inquiry being instituted into the source of the article in the Financial Times of January 22 headed "Younger considers cancelling Nimrod early warning aircraft"?
5. Will the Prime Minister publish the text of Sir Robert Armstrong's report of his inquiry?
6. Is a Minister of the Crown, including the Prime Minister, permitted to leak a classified document, whether or not it contains the advice of Law Officers? What rules, conventions, or law cover the disclosure of advice by the Law Officers?
7. Who drew the attention of the Solicitor General to Mr Heseltine's letter to Mr Horne?
8. Why was it felt necessary to make known publicly the Solicitor General's doubts about the accuracy of Mr Heseltine's letter to Mr Horne? And why the urgency to get it out before Westland's press conference? Could not the purpose have been served by a message to Westland's board? Did Westland ask for the information to be made public that day before its press conference?

9. Would there not have been time for a short public statement to be made calling Mr Heseltine's assertions into question rather than a hole-in-the-corner operation? Why not have given the Press Association an attributable statement?
10. Were the Law Officers consulted at any time over the intended leak to PA, and did that idea occur to anyone?
11. Is there any question of prosecution of any Minister or official, leaving aside the official who has been granted immunity? Does your statement close the chapter so far as criminal proceedings are concerned? If so, does this not reveal there is one Official Secrets Act for Ministers and senior civil servants and one for more junior grades?
12. Will you name the officials involved? Are they to be disciplined or removed to other posts?
13. Why wouldn't your office leak the vital piece of information, given the urgency? Was No 10 trying to distance itself from dirty tricks?
14. When was the Solicitor General's letter to Mr Heseltine available in DTI and No 10; and why did Mr Brittan not see it until 1.30?
15. Is the Prime Minister aware that the Law Officers believe that their independence has been compromised by this episode? What is she going to do about it? What assurance can there be that there will be no skulduggery with Law Officers' communications in future? Have any new instructions been issued to Ministers or Departments?
16. Has any Minister or Law Officer offered their resignation?
17. Was there any coordination of the leaking through Cabinet Office?

QUESTIONS

Did the Prime Minister authorise the leak?

Did her office authorise the leak?

Did DTI ask permission for No to leak the letter?

What part did Mr Bernard Ingham play?

Did she or her office know in advance that the Smith's General letter would be leaked?

Did she or her office receive a copy of the letter before it was leaked?

Does she know regard the leak as justified?

If so, why was the letter classified?

If so, why did she herself not authorise the leak?

If so, why had a leak inquiry?

A clear case of double standards? Prosecution for Paking, exoneration for Brittan?

The Sqs was repeatedly asked about the leak eg during the debate. He had the answers. Why didn't he give them.

Isn't it disgraceful that a civil servant was instructed by an Sqs to break the law.

PM and Mr Brittan clinging to office regardless of constitutional propriety or personal honour?

Mr Brittan breached collective responsibility and confidentiality. Why doesn't he resign or be sacked.

If leaking this document was justified, why not all the other documents eg 4 and 18 October

Collective responsibility has broken down. Wasn't Heseltine justified?

Doesn't this prove Heseltine's point? Butten was campaigning for Sikorski/flat just as he was campaigning for the European option?

Doesn't this demonstrate that the Official Secrets Act is totally discredited?

If Heseltine behaved so badly why ^{did} the PM not sack him then rather than justifying these fawning tactics?

Does the Prime Minister now regard competitive leaking as a legitimate part of Cabinet government?

Westlands Leak?



10 DOWNING STREET

Nigel.

The Trade & Industry
Secretary is pressing very
hard to see the
Prime Minister soon and
'before she meets RTA'.
He wants a quick &
final action to kill the
stray.

I've mentioned the
slim possibility of a meeting
at 11.30. But alternatively, he
might come at 14.30 &

more to depend
every to 17:30

CJP

Please let me know
if you want a
line fixed

This is on 22 Jan

NUW

Ref. A086/164

MR FLESHER

Westland: Leak Inquiry

The Department of Trade and Industry tell me that they have reason to believe that in the House this afternoon a Member of Parliament may seek to name the official of the Department of Trade and Industry as having been identified as the culprit in the leak of the Solicitor General's letter of 6 January.

2. In such an event, I suggest that the Prime Minister might take the following line:

"the inquiry I announced is still in progress and has some considerable way to go. There is no question of findings having been reached as to the nature of the leak or as to the identity of anyone involved".

3. I am copying this to the Private Secretaries to the Secretaries of State for Trade and Industry and Defence; and the Private Secretaries to the Permanent Secretaries in those Departments.

MS

M C STARK

16 January 1986

01-405 7641 Ext.

Comments on this subject should be addressed to

THE LEGAL SECRETARY
ATTORNEY GENERAL'S CHAMBERS

MARKET SENSITIVE

ATTORNEY GENERAL'S CHAMBERS,
LAW OFFICERS' DEPARTMENT,
ROYAL COURTS OF JUSTICE,
LONDON, W.C.2.

J. Mogg Esq.
Principal Private Secretary to Secretary of
State for Trade and Industry
1 Victoria Street
London SW1

Jean Jones.

WESTLAND

I have shown to the Solicitor General the minute from ^{former} Michell to you of 14 January concerning the Solicitor General's letter to the Secretary of State for Defence.

The Solicitor General wishes the Secretary of State to know that the middle paragraph in the draft attached to Michell's minute does not accord with the Solicitor's own recollection and record of events, which as far as material to this question, is as follows:

"On the evening of Saturday 4 January, I was telephoned at Twyden by the Secretary of State for Trade and Industry. He told me that the Prime Minister had suggested to him that he should ask me if a letter from Mr Heseltine to Lloyds Merchant Bank published in The Times that day gave 'a fair picture'. I had not by then read the letter. I did so, and said that from my recollection of the telegrams and records I had seen it was materially inaccurate, in that it suggested that all the relevant Governments and companies had indicated the probability of future loss of work for Westland. This would include additionally the French and Italian Governments, and Aerospatiale and MBB among the companies.

Handwritten notes:
The Solicitor General's account is basically fair
15 January 1986
I hoped Mr. Heseltine's letter would be treated to the same scrutiny as the Prime Minister's and any necessary action taken

Handwritten initials:
taken
CBP
15/11



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MARKET SENSITIVE

- page two -

Later that evening Mr Saunders telephoned me to say that No.10, Mr Powell, had rung him to say that if the Heseltine letter contained material inaccuracy I might possibly consider writing to Mr Heseltine to say so and to advise him to send a letter of correction. I told Mr Saunders of Mr Brittan's conversation with me, of my provisional opinion (with which he, Mr Saunders, concurred) and that I would in any event want to check the documents. Mr Saunders then told Powell that I would reconsider the documents on Monday 6 January and decide whether or not to write to Mr Heseltine. Mr Heseltine then the same evening telephoned me at my request, conveyed to MOD by Mr Saunders. I told him the difficulty about his published letter, and warned him that I would probably write to him on Monday 6 January to point this out and advise him to correct the inaccuracy. I told him that on the basis of my recollection, from which he did not in any way dissent, the documents covered only the West German and Dutch Governments, and Agusta among the companies. If that was so his letter was misleading".

The draft attached to Michell's minute is misleading in that it is calculated to convey the impression that it was without any external intervention that the Law Officers intervened with Mr Heseltine at this juncture. Whereas the Solicitor General wrote to Mr Heseltine as he did entirely upon the basis of his own independent judgment, after consulting with an official in his Department, he accordingly cannot concur with the incorporation of the middle paragraph of the draft. He cannot acquiesce in any answer being given which, expressly or by implication, conflicts with his recollection of events.

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MARKET SENSITIVE

- page three -

I am copying this letter to Michell and the recipients of his minute to you and, with a copy of Michell's minute, to Charles Powell at No.10.

Yours sincerely,

Richard Samuel.

M L SAUNDERS

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400/85/149.



To: PS/SECRETARY OF STATE

cc. PS/Mr Pattie
Sir Brian Hayes
Mr Macdonald
Mr Rickford
Mr O'Shea
Mr Wiggins - Cabinet Office
Mr Bourn - MOD
Mr Saunders - Attorney
General's Office

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

14 January 1986

WESTLAND

We are working now on possible passages for the Secretary of State's speech tomorrow night.

2. In the House yesterday the Secretary of State was asked by Mr Foot how the Law Officers obtained the information on which they judged that Mr Heseltine had given "misleading information" (as Mr Foot put it) to Lloyds Merchant Bank. The Secretary of State gave a very general answer which was not well received in all parts of the House.
3. If the question is asked again tomorrow, I think the Secretary of State would be well advised to give a full and factual answer on the lines of the attached. This would obviously need to be cleared with the Law Officers in addition to the usual arrangements. May I suggest you initiate this process tonight through the Private Office net?
4. The answer does not go on to deal with the further exchange of letters between Mr Heseltine and the Law Officers, although it could of course do so, but the further exchange is not germane to Mr Foot's question.

M J MICHELL



LAW OFFICERS LETTER

The Law Officers were asked by No.10 to advise on the terms of the Prime Minister's letter of 1 January to Sir John Cuckney, since it was clear that her letter would be an important document and would be relied upon by shareholders and others. They gave their advice on the basis of documents supplied by Government Departments recording certain views expressed by European Governments and companies.

When my Rt Hon Friend the member for Henley wrote to Lloyds Merchant Bank on 3 January, the Law Officers noticed that the terms of his letter were in certain respects different from the terms used in the Prime Minister's letter. They therefore wrote to my Rt Hon Friend stating that on the basis of the documents they had seen - and they emphasised this point - they considered my Rt Hon Friend's letter contained material inaccuracies, and they advised my Rt Hon Friend to write again to Lloyds Merchant Bank correcting those inaccuracies.

Thus it was unnecessary for the Law Officers to obtain any new material in order to form the opinion they reached on my Rt Hon Friend's letter. Indeed, their opinion was expressly qualified as being based only upon the documents they had already seen.



70 Whitehall, London SW1A 2AS Telephone 01-233 8319

Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A086/154

15 January 1986

Dear Henry,

Thank you for your letter of
15 January.

I hope that you will agree to alter
the proposed reply to Mr John Morris on the
lines of the draft attached.

The amendment to the first sentence
would bring the answer into line with what
has been said by the Prime Minister and
others. The amendment to the second
sentence would make it clear that - contrary
to the impression created by press reports
today - the inquiry is still under way and
has not been completed.

I am sending a copy of this letter and
of the revised draft to Nigel Wicks.

Yours ever

Robert

Henry Steel Esq CMG OBE

Mr John Morris: To ask Mr Attorney General, whether he will refer the apparent breach of any security involved in the disclosure of the contents of the recent letter of the Solicitor General to the Right Honourable Member for Henley to the Director of Public Prosecutions for his consideration and advice as to whether a decision to prosecute under section 2 of the Official Secrets Act should be taken.

An internal inquiry has been instituted into the matter to which the Rt Hon and Learned Gentleman refers. When it has been completed - and it is still ^{considerable} some way from being completed - I shall be in a position to consider whether it is appropriate to follow the procedure which he suggests.

*With the compliments of
the Legal Secretary*

H. Steel

*Attorney General's Chambers,
Law Officers' Department,
Royal Courts of Justice,
Strand, W.C.2A 2LL*

(01 405 7641 Extn. 3291

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LAW OFFICERS' DEPARTMENT
ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

H STEEL CMG OBE
LEGAL SECRETARY

Sir Robert Armstrong GCB CVO
Secretary of the Cabinet
Cabinet Office
70 Whitehall
London SW1

15 January, 1986

Stewart B.P.M.

*Told H.S. agreed
W.S.
15-1*

Dear Robert,

WESTLAND: LEAK OF SOLICITOR GENERAL'S LETTER

We spoke yesterday evening about the reply which the Attorney has to give tomorrow to Mr. John Morris's question on this matter. As you requested, I am now sending you the text of the answer which I have prepared and which the Attorney General has provisionally agreed. When I read it to you on the telephone, you said that you were inclined to suggest that we should insert the word "Internal" before "Enquiries" so as to avoid giving any impression that the current enquiries are being conducted by the police. I myself see no difficulty about that. Perhaps you would let me know in the course of today whether you would still recommend it and whether you have any other comments to make on the draft.

I am copying this letter and its enclosure to Nigel Wicks in case he has any comments to make, though he had already told me, before I spoke to you, that he was content with the general tenor of the proposed answer.

*Yours etc,
H Steel*

H STEEL

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PARLIAMENTARY QUESTION.

PRIORITY WRITTEN ANSWER

Thursday 16th of January 1986

QUESTION.

266

MR JOHN Morris

To ask Mr. Attorney General, whether he will refer the apparent breach of any security involved in the disclosure of the contents of the recent letter of the Solicitor General to the Right Honourable Member for Henley to the Director of Public Prosecutions for his consideration and advice as to whether a decision to prosecute under section 2 of the Official Secrets Act should be taken.

MEMBER'S CONSTITUENCY:—

HENLEY

LAB

ANSWER.THE ATTORNEY-GENERAL:—

Enquiries are currently being made into the matter to which the Rt. Hon. and Learned Gentleman refers. When they have been completed I shall be in a position to consider whether it is appropriate to follow the procedure which he suggests.

Ref. A086/134

MR WICKS

WITH NLW

In my minute of ~~10~~ January (A086/103) about the leak of the Solicitor General's letter to the then Secretary of State for Defence, I am afraid that there was a misprint in the first line of paragraph 5. The Attorney General came to see me on 10 January at his request, not at mine.

2. I am sending a copy of this minute to the Attorney General.

RTA

ROBERT ARMSTRONG

14 January 1986



SECURITY

LEAK TO OBSERVER

JAN 86

56
 Overtaken - dismissed
 with R.T.A. + RB.

Ref. A086/103

MR WICKS

NW
 13.1

1
 Prime Minister
 Agree to
 proceed as RTA
 recommends, especially
 §§ 7 and 8?

N.L.W
 10.1

You will remember that the Solicitor General wrote to the
 --- then Secretary of State for Defence on 6 January (copy attached)
 suggesting that the evidence did not support a statement which
 the Secretary of State had made in his letter of 3 January to
 Mr David Horne. Within a very short time after its issue
 --- selected parts of that letter had been leaked to the Press
 Association and were reported on tapes and in the newspapers.

2. Mr Alan Williams MP has written to the Prime Minister to
 ask for institution of a formal leak inquiry into this leak.
 There are questions to the Attorney General on Monday 13 January
 which will provide an opportunity for the Attorney General to be
 questioned on the matter.

3. I made some preliminary inquiries of my own on 8 January.
 I did not press these inquiries to anything like a conclusion,
 but I reached a point where I did not think that it would be
 useful for me to take matters any further.

4. The Attorney General wrote to me to ask whether I thought
 that he should ask me to institute a formal leak investigation.
 I replied to the effect that, having made certain inquiries
 myself, I had come to the conclusion that no useful purpose
 would be served by a formal investigation.

10 Jan 5. The Attorney General came to see me, at ^{his} my request, earlier
 today. He was extremely concerned about this matter. He
 pointed out that the independence and impartiality of the Law
 Officers could be thought to be in some degree compromised by
 the leak. There was no doubt that the leak was a prima facie
 breach of Section 2 of the Official Secrets Act 1911. It was

for the Attorney General to decide whether inquiries should be instituted with a view to prosecution under that Section. If he was asked whether he proposed to institute police inquiries, and there was no leak investigation, he would be put into an impossible position: he could not refuse to institute police inquiries without being thought to be protecting one of his colleagues.

6. If it was decided to institute a formal leak investigation, he could reply to the effect that such an investigation had been instituted and that he would take his decision as to whether there should be any further inquiries by the police, leading to the possibility of prosecution, when he had the report of the leak investigation.

7. Having discussed this matter further with the Attorney General and with you, I now seek authority to institute a formal leak investigation into the circumstances in which the Solicitor General's letter of 6 January came into the hands of the Press Association. I propose to remit the conduct of this inquiry to the investigator who is already looking into the leak of the Secretary of State for Trade and Industry's minute of 4 October.

8. In a matter as sensitive as this the investigator may well encounter difficulties with people who do not want to answer questions for fear of incriminating themselves or others, or who may even be disposed to tell lies, either to protect themselves or to protect others. I propose, with the Attorney General's agreement, to say to the investigator that, if he does encounter any such difficulties, I shall be prepared to ask the Attorney General to consider the possibility of offering an immunity from prosecution or disciplinary action, if truthful and frank answers are given.

9. The report will be made to me personally, and I shall of course discuss it with the Prime Minister and the Attorney General, when I have considered its findings and what, if any, action I should be minded to recommend.

RIA

ROBERT ARMSTRONG

10 January 1986

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66/161
NF



01-405 7641 Extn

cc - Mr. Uwin
Mr. Wiggins

26/1/86

ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

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PS/Minister (AF)
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DDEC

CABINET OFFICE	
A	30
7 JAN 1986	
FILING INSTRUCTIONS	
FILE No	

The Rt. Hon. Michael Heseltine MP.,
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
London SW1

6 January 1986

Dear Michael,

WESTLAND

I saw in "The Times" on Saturday the text of a letter you are reported to have sent to the Managing Director of Lloyds Merchant Bank. In the course of your answer to the third question asked by Mr Horne, concerning the indications received by HMG from "European Governments and companies" as to the projects which "may be lost to Westland if the United Technologies/Fiat proposals are accepted", you state:

"There are indications available to HMG from both the other Governments and the companies concerned that a Westland link with Sikorsky/Fiat would be incompatible with participation by that company on behalf of the UK in the collaborative battlefield helicopter and NH90 projects".

This sentence, when read with the rest of the paragraph (in which the Defence Ministers of four Governments apart from the UK are referred to), necessarily implies that all the Governments and all the companies involved in the collaborative battlefield helicopter and NH90 projects have given this indication to HMG.

The telegrams (No.440 of 17 December from the Hague and Nos.1037 and 1023

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- page two -

of 5 December from Rome) and the record of your meeting with the West German Defence Minister in November which were available to me when I gave advice on 31 December to the Prime Minister on the text of her reply to Sir John Cuckney, do not seem to me to support a statement that all the Governments and all the companies have indicated that a Westland link with Sikorsky/Fiat would be incompatible with participation by that company in the projects. The documents I have seen contain evidence that the Netherlands' Defence Secretary, the German Defence Minister and the Chairman of Agusta have commented to the knowledge of HMG in various ways on adverse consequences which may flow from a decision to accept the Sikorsky offer. (In addition to Agusta, the documents disclose that Aerospatale and MBB are additionally involved in the projects).

It is foreseeable that your letter will be relied upon by the Westland Board and its shareholders. Consistently with the advice I gave to the Prime Minister on 31 December, the Government in such circumstances is under a duty not to give information which is incomplete or inaccurate in any material particular.

On the basis of the information contained in the documents to which I have referred, which I emphasise are all that I have seen, the sentence in your letter to Mr Horne does in my opinion contain material inaccuracies in the respects I have mentioned, and I therefore must advise that you should write again to Mr Horne correcting the inaccuracies.

I am copying this letter to the Prime Minister and to the Secretary of State for Foreign and Commonwealth Affairs, Secretary of State for Trade and Industry and the Chief Secretary of the Treasury.

S. Jones

K. Bishop

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as Hand

File

✓

PRIME MINISTER

Later information is that Mr Brittan does not want a leak enquiry. Robert is thinking of a way through on the lines we discussed and will advise.

N.L.WICKS

8 January 1986

CJ

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ate
bcc Peter fore

10 DOWNING STREET

From the Private Secretary

8 January 1986

WESTLAND: LEAK INQUIRY

I enclose the information which Sir Brian Hayes' Private Secretary requested in his letter of 6 January to Sir Clive Whitmore's Private Secretary. I have designated Peter Joce, No. 10's Security Officer, as your first point of contact here on any matters relating to the inquiry which you may wish to pursue.

N L WICKS

Gordon Burrett, Esq.
Department of Trade and Industry
CONFIDENTIAL

Room 125,
Department of
Trade and Industry,
Sanctuary Buildings,
Gr Smith St
SW1P 3DB

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WESTLAND - LEAK ENQUIRY

The answers to the questions posed in Jonathan Startup's letter dated 6 January 1986 are:

	<u>Secretary of State for Trade and Industry's minute to the Prime Minister dated 4.10.85</u>	<u>Mr. Startup's letter to Mr Stark dated 24 December 1985</u>
Question 1	Mr P Warry (Policy Unit)	NONE
Question 2	Prime Minister Mr N.L. Wicks (Principal Private Secretary) Mr C.D. Powell (Private Secretary) Mr N. Owen (Policy Unit) (Mr D. Norgrove, Private Secretary but only after 22 December)	Mr N.L. Wicks Mr. C.D. Powell
Question 3	Confidential Filing - 11 Garden Rooms - 13 Policy Unit Secretaries - 3	Confidential Filing - 9 Garden Rooms - 13
Question 4	Original and copy have been mustered	
Question 5	Apart from restrictions on circulation, none.	

P.S. JOCE
P.S. JOCE

7 January 1986

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H. STEEL, CMG OBE
LEGAL SECRETARY

LAW OFFICERS' DEPARTMENT
ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

✓
7 January, 1986

Sir Robert Armstrong GCB CVO
Secretary of the Cabinet
Cabinet Office
70 Whitehall
London SW1

Sir Robert,

WESTLAND: LEAK OF SOLICITOR GENERAL'S LETTER TO THE DEFENCE SECRETARY

You will have seen from the last substantive paragraph of the letter which the Solicitor General sent to Mr. Heseltine this morning the seriousness with which he, (and, I may add, the Attorney General) views the leaking of his earlier letter of 6 January. The Attorney General has asked me to sound out your opinion on whether it would be appropriate for us to ask for a formal leak investigation to take place.

The Solicitor General's letter of 6 January was, as you know, copied to the Prime Minister, the Foreign and Commonwealth Secretary, the Trade and Industry Secretary and the Chief Secretary to the Treasury and also, subsequently, to you. I am, however, copying this present letter only to Nigel Wicks.

Jan 86
H. Steel
H STEEL

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COVERING CONFIDENTIAL

MR WICKS

WESTLANDS - LEAK ENQUIRY

I attach a note setting out the answers to the questions posed in Jonathan Startup's attached letter dated 6 January.

If you so desire I would be content to be Mr. Burrett's "first point of contact" (third paragraph from end of Startup's letter refers).

P.S. JOCE

P.S. JOCE

7 January 1986

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WESTLAND - LEAK ENQUIRY

The answers to the questions posed in Jonathan Startup's letter dated 6 January 1986 are:

	<u>Secretary of State for Trade and Industry's minute to the Prime Minister dated 4.10.85</u>	<u>Mr. Startup's letter to Mr Stark dated 24 December 1985</u>
Question 1	Mr P Warry (Policy Unit)	NONE
Question 2	Prime Minister Mr N.L. Wicks (Principal Private Secretary) Mr C.D. Powell (Private Secretary) Mr N. Owen (Policy Unit) (Mr D. Norgrove, Private Secretary but only after 22 December)	Mr N.L. Wicks Mr. C.D. Powell
Question 3	Confidential Filing - 11 Garden Rooms - 13 Policy Unit Secretaries - 3	Confidential Filing - 9 Garden Rooms - 13
Question 4	Original and copy have been mustered	
Question 5	Apart from restrictions on circulation, none.	

P.S.
P.S. JOCE

7 January 1986

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CCBG



Sir Brian Hayes KCB
Permanent Secretary

DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 3972

OTN 215

(Switchboard) 01-215 7877

6 January 1986

John Pitt-Brooke Esq
Private Secretary to
Sir Clive Whitmore KCB CVO
Ministry of Defence
Main Building
Whitehall
LONDON SW1

RW Jones, 1/11
Could you pl
provide the No 10
contribut

Dear John,

N.C.U.
7.1

WESTLAND: LEAK ENQUIRY

FILE WITH CDP

As you know, Gordon Burrett has undertaken the enquiry into the apparent leak of information contained in my Secretary of State's minute to the Prime Minister of 4 October 1985. He has asked me to seek your and copy recipients' help in obtaining the following information to assist his enquiry:

1. the names and designations of all those in your Department or Office to whom the minute of 4 October was copied;
2. a similar list of those who subsequently saw each copy (including the original) because their work required them to be familiar with the contents;
3. a similar list of those who, in addition to the above, would have had access to a copy;
4. confirmation that all the copies made, as well as the original, can be accounted for;
5. details of any special procedures you adopt for handling DTI papers classified: "Confidential : Commercial in Confidence : Market Sensitive";

ELFAAI



~~AA/OS/SP/CK~~
~~STARTUP~~ 9/15/85

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2

6. information as at 1, 2 and 3 above in respect of my letter of 24 December to Michael Stark proposing the setting up of an enquiry (not copied to PS/Chancellor of the Duchy of Lancaster, to whom I am now sending a copy);

The lists should include Ministers and Special Advisers where appropriate. If the information requested at (3) above would involve excessive work or time, a general indication would be sufficient (eg so many registry staff, secretaries etc) - at least at this stage.

It would be very helpful if the above information could reach Mr Burrett by close of play on Wednesday, 8 January at the latest - before if possible.

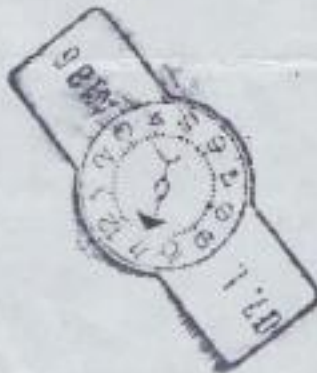
Would you also please designate someone to act as Mr Burrett's first point of contact in your Department on any matters relating to the enquiry he may wish to pursue?

Please send your reply direct to Gordon Burrett, c/o Department of Trade and Industry, Room 125, Sanctuary Buildings, Great Smith Street, SW1P 3DB (telephone: 01-215 3720).

I am sending copies of this letter to the Private Secretaries to Sir Antony Acland, Sir Peter Middleton, Sir Michael Quinlan, Sir Crispin Tickell; to Nigel Wicks and to Michael Stark; and the Private Secretary to the Chancellor of the Duchy of Lancaster. I should be grateful if these last three would provide the information in respect of their offices.

*Yours sincerely,
Jonathan Stark*

J L STARTUP
Private Secretary



ELFAAI

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70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

QR
3/1

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

Ref. A086/26

2 January 1986

Dear Brian,

Westland: Leak Inquiry

Your Private Secretary wrote to mine on 24 December 1985 to ask if I would institute an inquiry into the apparent disclosure, to *The Observer*, of the contents (or part of the contents) of the minute which your Secretary of State sent to the Prime Minister on 4 October.

As you say, the circumstances indicate strongly that an unauthorised disclosure of confidential and commercially sensitive information has occurred.

I agree that an interdepartmental leak inquiry should be instituted. You will have seen that the Prime Minister also agrees with that, and is content for Ministers to be interviewed, if that should prove necessary.

The inquiry will be undertaken by Gordon Burrett, who will report his results to me. I have asked him to be in touch with you about arrangements to facilitate his inquiry and should be grateful if he could be given whatever support he needs in terms of accommodation, backup and so on.

I am sending copies of this letter to Clive Whitmore, Antony Acland, Peter Middleton, Michael Quinlan, Crispin Tickell and Nigel Wicks; and, with a copy of your letter of 24 December, to Henry Steel in the Law Officers' Department.

*Yours ever
Robert*

Sir Brian Hayes KCB

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GAK TO OBSSAUGK
46 WOSTILANO.



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10 DOWNING STREET

From the Principal Private Secretary

30 December, 1985.

Lo
File
cc DTI
MOD
FCO
HM T
EM
ODA

Dear Richard,

WESTLAND: LEAK ENQUIRY

I have shown the Prime Minister the letter of 24 December from Sir Brian Hayes' Private Secretary in which Sir Brian Hayes seeks Sir Robert Armstrong's approval for an enquiry into the apparent disclosure, to the Observer newspaper, of information contained in an official document relating to Westland.

The Prime Minister agrees such an enquiry should be instigated. She is also content for Ministers to be interviewed, should that prove necessary.

I am sending copies of this letter to the Private Secretaries to Sir Brian Hayes, Sir Clive Whitmore, Sir Antony Acland, Sir Peter Middleton, Sir Michael Quinlan and Sir Crispin Tickell.

Nigel Wicks
Nigel Wicks

(N.L. Wicks)

Michael Stark, Esq.,
Cabinet Office.

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JA

MARKET SENSITIVE



Sir Brian Hayes KCB
Permanent Secretary

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215

GTN 215 3972

(Switchboard) 215 7877

24 December 1985

Michael Stark Esq
Private Secretary to
Sir Robert Armstrong GCB CVO
Cabinet Office
70 Whitehall
LONDON SW1

Prime Minister

Agree and

*that Ministers can
be interviewed?*

Dear Michael,

Yes no

N.L.W.

24.12

WESTLAND: LEAK ENQUIRY

I am writing to ask if Sir Robert Armstrong will institute an enquiry into the apparent disclosure, to the Observer newspaper, of a confidential document relating to Westland.

Information contained in

.... The Observer, on Sunday 22 December, carried on its front page an article (of which I attach a copy) reporting the disclosure of a minute dated 4 October from my Secretary of State to the Prime Minister. As you will see from the attached copy of the minute, the report was not altogether correct in the views ascribed to the Secretary of State, but the fact that the minute is referred to at all indicates strongly that an unauthorised disclosure of confidential and commercially sensitive information has occurred.

Sir Brian regards this as a sufficiently serious matter to justify a full enquiry, as does our Secretary of State. The enquiry will clearly need to cover all those Departments that received a copy of the minute. Although this is a matter for Sir Robert, he may, I imagine, also wish to seek the Prime Minister's approval to Ministers being interviewed.

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2

I am sending copies of this letter to the Private Secretaries to Sir Clive Whitmore, Sir Antony Acland, Sir Peter Middleton, Sir Michael Quinlan and Sir Crispin Tickell, and to Nigel Wicks.

Yours
Jonathan

J L STARTUP
Private Secretary

ELFACH

Cabinet leak boosts Heseltine ●

Brittan's shock

Qadhafi stake in Sikorsky deal /

Westland memo

EXCLUSIVE

by ADAM RAPHAEL, Political Editor

A TOP-SECRET Cabinet document has been disclosed showing that the Trade and Industry Secretary, Mr Leon Brittan, originally favoured a European rescue of the Westland helicopter company.

The sensational development to Mr Brittan's bitter row with the Defence Secretary, Michael Heseltine emerged last night.

The leak discloses the existence of a formal minute to the Prime Minister by Mr Brittan on 4 October in which he expressed the view that a European-backed rescue of Westland would be 'preferable' to a bid by the American Sikorsky consortium.

The minute appears to be contrary to the views now held by Mr Brittan, who stated in the Commons last week that the company should be left to decide its own future. Not only

is it extremely embarrassing to him; it also seems likely to touch off a fresh round of ministerial in-fighting — and a witch-hunt to find who is guilty of the leak.

In another extraordinary development last night it was revealed that Colonel Qadhafi of Libya will own a slice of Westland if the Sikorsky deal goes through. According to company records Libya first took a 9 per cent stake in Fiat, one of the partners in the Sikorsky bid, as far back as 1976. Colonel Qadhafi's stake is now 13 per cent. Libya is represented by a director on Fiat's board.

Ministers were last night urgently studying this latest information, which could have a profound effect on Tory backbench opinion. Tory MPs are unlikely to be happy that even a small slice of Westland

should be owned by Libya. One of Mr Heseltine's allies said last night: 'The news of the Libyan connection means that it's game, set and match to us.'

The disclosure of the secret minute will further to strengthen Mr Heseltine's hand in the next few weeks before the Westland shareholders' meeting which will decide the company's future. One charge made by Westland's chairman, Sir John Cuckney, against Mr Heseltine is that his attempt to co-ordinate a European rescue was made far too late in the day.

But the minute suggests that a European-backed consortium was under consideration by the Department of Trade and Industry, the sponsoring

Ministry, at a much earlier date.

Officials of the department confirmed last night the existence of Mr Brittan's minute to the Prime Minister but denied that it revealed a change of heart by Mr Brittan.

'He has always been prepared to see a European bid developed in order that the Westland board should have a range of options open to it,' said a senior official.

Significantly, there were signs in Whitehall last night that Mrs Thatcher has begun to distance herself from Mr Brittan. Though the Prime Minister is angry with Mr Heseltine and distrusts his motives, she has no wish to find

herself on the losing side in such a crucial argument.

There is no sign that the bitter Whitehall in-fighting is about to cease. The Defence Secretary is said to be furious with Mr Brittan for having immediately broken last Thursday's Cabinet concordat by accusing Mr Heseltine on television of holding 'a pistol to the head' of Westland's board.

Among Mr Brittan's defenders are those Tory MPs who are strongly opposed to closer links with Europe. One of them, Mr Teddy Taylor, MP for Southend East, last night said the company should be free to make its own commercial decision without threats to its livelihood by the Ministry of Defence.

IAN MATHER, Defence Correspondent, writes: The role of two banks, National Westminster and Barclays, will be

crucial in deciding the future of Westland. Between them they have provided nearly £33 million in loans and overdrafts, and it was their decision to call a halt that led to the crisis.

Supporters of the revised European proposals submitted last Friday argue that the banks' best chance of getting their money back lies in the European deal, since it would require them to convert less of the debt into Westland shares. Under the revised European offer, National Westminster and Barclays would take £23 million of Westland shares between them. Under the Sikorsky-Fiat deal they would take £28 million.

Both camps will be concentrating their efforts on the banks over the coming days. Without the banks' approval, both elaborately-structured proposals would collapse. The



Westland role: Heseltine, Qadhafi and Brittan.

banks agreed to the terms of the Sikorsky-Fiat proposal before the new European offer was presented.

Ultimately, the shareholders will have to ratify one rescue package or the other. Whatever the Westland board's attitude turns out to be the European

consortium's advisers, Lloyds Merchant Bank, believe they can muster the 10 per cent support among shareholders necessary to force an extraordinary general meeting to consider the deal.

■ High stakes for Heseltine, page 9.



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PRIME MINISTER

WESTLAND

This minute sets out the situation facing Westland and discusses how the Government might respond to it. The company will almost certainly go into receivership if a solution cannot be found before the end of November, although I believe the Government will need to indicate its position before that date. More immediately, the situation may affect what you can say to Mr Gandhi when he comes on 14 October about the prospective Indian order for W30-160 helicopters.

BACKGROUND

2 Following the Price Waterhouse review of the company's position, Sir John Cuckney put to my Department and to the Ministry of Defence proposals for a financial reconstruction which he believed was an essential first step in a strategy for the company's future viability. The main features of this package were:

- (i) New capital to be raised for existing shareholders and a new large minority shareholder, possibly Sikorsky or a European company, with whom Westland are in discussion.
- (ii) Westland's banks to convert a substantial portion of overdraft into equity.
- (iii) The Government to underwrite 45 sales of the W30-160 helicopter in order to avoid a crippling write-off of inventory against shareholders' funds for the financial year ending 30 September 1985.

cc Westland

PS Mr Pattie

PS Sir Brian Hayes

Sir J Sterling

Mr Macdonald Dep

Mr Roberts Dep Sec

Mr Mitchell, Air

Mr Russell, FRM

Mr Mallinson, Sols

Mr Benjamin, PEP

Mr Treadgold, SBF

Mr Fairweather ID

Mr O Shea, Air



3 Officials have reviewed these proposals and the underlying financial position with Westland's staff and advisers. They have concluded:

- a) The proposed package would indeed provide a reasonable prospect of securing the company's viability in the medium term.
- b) At the other extreme, if no action is taken, receivership is likely to be unavoidable.
- c) It might be possible to construct an adequate package on the same basis as that proposed by the company, but involving a smaller number of W30-160 sales - perhaps only the 21 aircraft for the Indian Oil and Natural Gas Corporation (ONGC). This could only be substantiated, however, by discussion with the company's bankers. Annex A gives a summary of the company's financial position and the impact of a reconstruction package.

4 I do not believe that an underwriting of sales on the scale proposed by Westland would be justified. However I believe there may be a case, for the reasons set out below, for underwriting the sale of 21 helicopters if there remain good prospects of concluding the Indian order. If we decided to adopt this approach, I would envisage asking Westland to negotiate with their banks and potential partners on the assumption of firm sales of 21 W30-160s. I would say that if a reconstruction package could be put together on that basis, and if by the end of November discussions with the Indians were still in the Government's judgement active though unconcluded, the Government would be prepared to consider underwriting the sale of the 21 aircraft. However a final decision would only be made at the time in the light of an up-to-date assessment of the prospects of obtaining the ONGC order.



5 I believe Government participation in a reconstruction package should be conditional on the following assurances from Westland:

- that they would continue to participate in the EH101 programme.
- that the W30-300 programme would continue at least until the MOD's procurement timetable becomes clear in 1986.
- that they would continue to provide spares and support for the existing MOD helicopter fleet.
- that in the event of Government underwriting the company would continue to use its best endeavours to sell the aircraft.

POSSIBLE BENEFITS OF GOVERNMENT UNDERWRITING

6 I would not argue that supporting Westland should be a priority use of resources from a purely industrial point of view. Although Westland is the only UK helicopter manufacturer it is not central to the aerospace industry. Moreover, while other UK companies (notably Rolls Royce) have important business with Westland, my Department is not aware of any which is financially dependent on Westland's continued existence.

7 Nor is there a strong argument that the proposed package will improve the chances of my Department's launch aid being recovered. It would not of itself guarantee continuation of the W30-300 programme (on which £38m of the agreed £41m launch aid has been paid). That would still critically depend, I believe, on an MOD launch order. If the programme were terminated, even after a capital reconstruction, it seems unlikely that much of



the launch aid could be recovered without serious financial damage to the company. The package should secure the continuation of the EH101 programme, but only £5m of the agreed £60m launch aid for this project has so far been paid.

8 I believe the remaining arguments are:

- i) Military: that it is essential to secure support for the existing helicopter fleet and desirable to preserve an indigenous source of design, development and supply. It is of course for Michael Heseltine to advise on the strength of this argument.
- ii) International: that it will be damaging to the UK's relations with India if, after the diplomatic efforts of the last year, Westland cannot now conclude the contract for the ONGC.
- iii) Political: that if the Government does not help it will be blamed for allowing the company to go into receivership.



FOREIGN OWNERSHIP

9 At present the company most likely to be willing to take a large minority shareholding appears to be Sikorsky. No solution involving a British company is on the cards. Westland are in contact with MBB, Aerospatial and Agusta and I believe they should be encouraged to pursue the possibility of a European solution. The prospects of a European solution being developed within the timescale do not seem to be good, but I should like to get a better assessment of those prospects before responding formally to Westland's proposals. However, if it emerged that a solution involving Sikorsky was the only realistic option I do not believe we should reject the package solely on that ground, provided we obtained the assurances from the company outlined in paragraph 5 above.

FINANCE

10 It is an important feature of the approach I have outlined that the Government would only agree to underwrite W30-160 sales if it assessed the prospects of concluding the Indian order as good - in other words, if the risk of the Government incurring expenditure as a result of the underwriting was acceptable. Nonetheless, I have reluctantly concluded that I could not use any of my Department's agreed PES allocation to meet any expenditure that might result : the industrial argument for giving Westland further assistance do not justify the use of my Department's very scarce and indeed decreasing financial resources.

RECEIVERSHIP

11 If the Government decided not to participate in a package of the sort I have discussed, the company would probably go into receivership. It is by no means certain that such an outcome would be damaging to essential national interests, or more costly to the Government than participation in a reconstruction package.



The difficulty is that receivership would create an uncontrolled situation whose outcome was unpredictable.

12 Much would depend on whether a purchaser could be found for key parts of the business - continuing Lynx and Sea King production, the EH101 programme and the provision of spares and support. If so, the Government's essential procurement interests would be safeguarded. Such an outcome appears possible in view of the interest British Aerospace have expressed in acquiring certain parts of the business in the event of receivership.

13 However there would be potential costs to the Government. The Receiver might demand Government funding of his operations in order to keep the helicopter business going while a purchaser was sought. There would be indirect costs, for example associated with ECGD exposure and redundancies. (The company is planning up to 2,700 redundancies, with possible closure of its factories at Weston and Cowes, even after a reconstruction package. The number of jobs lost would be much greater in the event of receivership). And if no purchaser could be found, receivership might result in the UK's participation in the EH101 and production of Lynx and Sea King being ended and the provision of spares and support for the current MOD helicopter fleet being jeopardised.

14 I believe it is a fairly fine judgement whether the risks involved in receivership are worth taking. On balance, I believe it would be preferable to agree to participate in a reconstruction package if the conditions I have outlined were met.



MR GANDHI'S VISIT

15 The situation clearly poses difficulties for the discussion of the ONGC order you will wish to have with Mr Gandhi during his visit. On the one hand, we must continue to do everything possible to obtain the contract. On the other hand, you are likely to be constrained in what you can say to Mr Gandhi about the future of the company, and this may make him reluctant to commit himself to the order.

16 Ideally a reconstruction package would be in place before the visit, enabling you to give firm assurances about the future of the company and to press for conclusion of the contract. However I think this is most unlikely to be achieved even if we gave Westland a clear indication of the Government's position early next week; and it could clearly only be achieved with Sikorsky as the minority partner. As I have said, I think it would be preferable to delay giving a definitive response to Westland until their discussions with possible European partners have progressed further.

17 You will therefore need careful briefing for a variety of difficult situations, which I suggest officials should put in hand. You will need to say that Westland is under new management who are considering plans for strengthening the company financially. If Mr Gandhi says he intends to purchase, you could say that the Government hopes the company's plans will be successfully implemented, and that the order will be a significant help to the company. If Mr Gandhi should press for an assurance on viability you might say that it was not for the Government to comment but note that the company has a solid base of MOD business and that we are confident in the ability of the new Chairman.



18 I believe it should be possible to deal satisfactorily with the talks on these lines. There must be a risk, however, that a non-committal response on viability will cause the prospects for the order to recede, or even disappear.

CONCLUSION

19 I recommend that our initial response to Westland should be to urge them to pursue discussions with possible European partners urgently. We should decide in the light of those discussions whether to indicate to Westland, on the lines set out in paragraphs 4 and 5 of this minute, the Government's possible willingness to participate in a reconstruction package. It will, in any event, be desirable to indicate our position to the company reasonably promptly - and certainly well in advance of the November deadline - both so that the company knows where it stands and to ensure that no question arises of a breach of Companies Act obligations.

20 You may wish to call an early meeting to discuss the situation generally, and in particular the handling of Westland during Mr Gandhi's visit.

21 I am copying this minute to the Foreign Secretary, the Chancellor of the Exchequer, the Secretary of State for Defence, the Chancellor of the Duchy of Lancaster, the Secretary of State for Employment, the Minister for Overseas Development and to Sir Robert Armstrong.

L. B.

L B
4 October 1985



Summary of Westland's financial position

In the absence of firm orders for W30-160 helicopters, Westland will need to make provisions of over £90m for inventory and commitments on the W30 and total provisions of over £110m. The impact of such provisions on the balance sheet would be as follows:

		£m
Net operating assets		123.1
Tax		(5.2)
Net borrowings		(90.6)
Minority Interest		(13.9)
Shareholders' funds	a	<u>13.4</u>
Net borrowings after deducting cash	b	<u>90.0</u>
Gearing b + a		672%

2 Clearly such a gearing ratio would be insupportable. In such circumstances receivership would be precipitated by the banks refusing to provide higher facilities or by the gearing restrictions of the company's debenture stocks being breached. In practice the directors might ask the debenture holders to appoint a receiver before such a breach occurred.

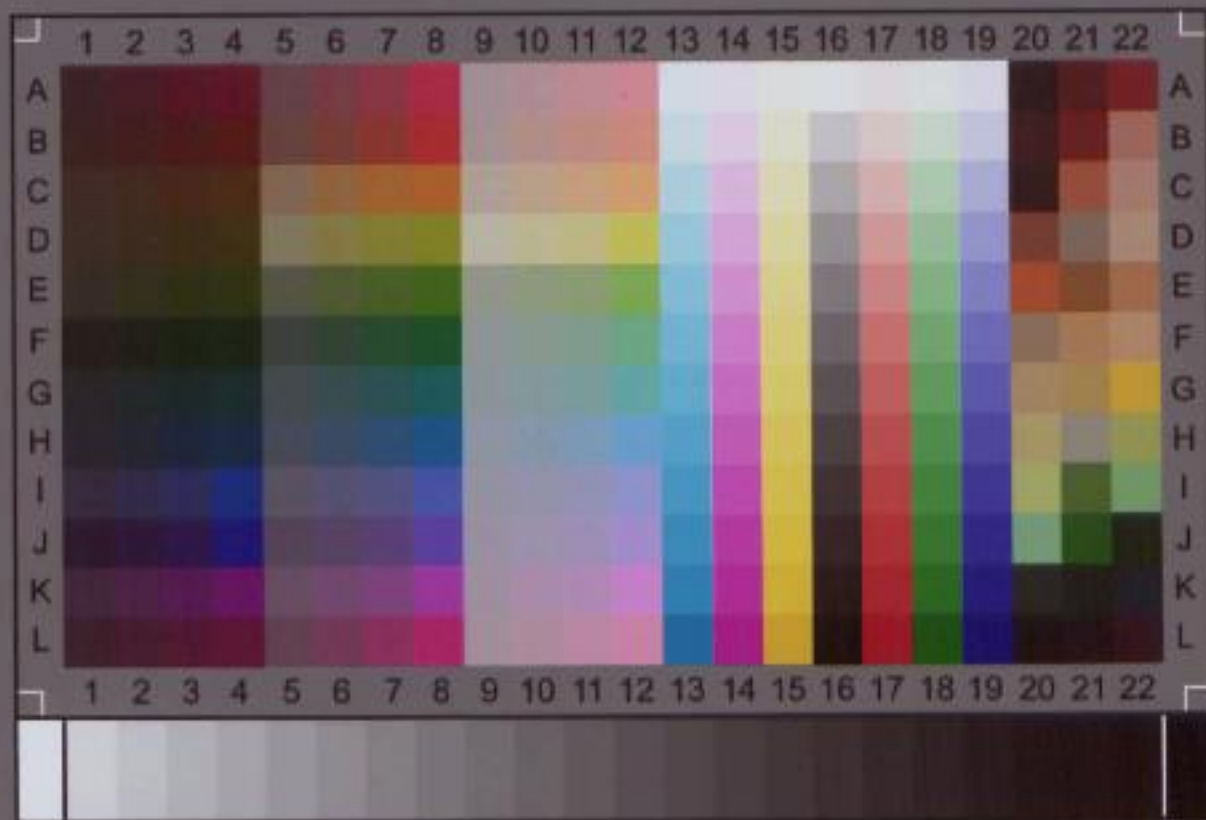
Possible reconstruction package

3 A satisfactory gearing position might be achieved by the following package:

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	Addition to shareholders' funds	£m
Sale of 21 W30-160s resulting in reduced provisions	20.8	
Conversion of bank overdraft into equity	22.5	
1 for 4 rights issue	8.6	
29.9% minority shareholder	26.9	
	<u>78.8</u>	
giving the following gearing ratio:		
Shareholders' funds	a <u>92.2</u>	
Net borrowings after deducting cash	b <u>32.0</u>	
Gearing $b \div a$	34.7%	



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