DEFENCE

Westland—brought back from the brink

LONDON

Much could change in the ten
days before Westland share-
holders meet at an extra-
ordinary general meeting to
cast their votes on whether
the company should consum-
mate its marriage with United
Technologies and Fiat, or join
up with the rival European
consortium.

The story has been so con-
fused and so full of twists and
turns that predicting the
outcome is perilous. But in the
lead-up to two rivals placing
their rescue bids before
Christmas, exact details of
Westland's financial dilemma
have become clear.
On December 19 Westland
reported pre-tax losses of
£95-3 million after excep-
tional payments of £106-6
million had rubbed out a
profit of £11 • 3 million for the
year ended September 30. The
exceptional payments effec-
tively "clear the deck provided
that we get the partnership
sewn up", according to a
Westland spokesman.
Westland revealed details
of the proposed £72 • 2 million
UTC and Fiat rescue package
simultaneously with its finan-
cial results. A day later the
rival European consortium
presented an improved £73 • 1
million rescue package of its
own.

In contrast to Westland's
abrupt dismissal of the Euro-
pean consortium's first pro-
posal, cast aside by chairman
Sir John Cuckney as a
"botched-up, last-minute
deal", the board met on
December 23 to consider the
revised European package. It
was expected to meet with
the European consortium to
clarify some details.
The European consortium,
which comprises Aero-
spatiale, Agusta, British Aero-
space, GEC, and MBB, and is
organised by Lloyds Mer-
chant Bank, is offering West-
land 3 • 3 million manhours of
work over the next five years,
compared with "at least 1
million manhours" over three
years offered by UTC and
Fiat, "independent of market
conditions".

Aerospatiale and Agusta
have together agreed to put an
additional l,270,000hr of
work with Westland. The UK
Ministry of Defence, which,

under the leadership of Secre-
tary of State for Defence
Michael Heseltine, has fought
a strong and independent
campaign to ensure the
success of the European solu-
tion (and split the British
Government into the bar-
gain), has pledged to order an
additional six Sea Kings from
Westland.

The Sea Kings will provide
Westland with an extra
300,000hr of work. Under the
European proposal Westland
will make a net gain in work of
1,550,000 manhours, on top of
350,000 hours of Super Puma
subcontract work already pro-
vided by Aerospatiale. The
work is offered as "uncondi-
tional but subject to sales".

The Europeans have con-
firmed that they intend to
take the drastic, but long
overdue, step of merging
Europe's two anti-tank heli-
copter programmes, the
Agusta A.129 and the PAH-2.
This is perhaps the greatest
proof of the European in-
dustry's determination to
rationalise itself and to prise
Westland away from a closer
alliance with Sikorsky.

The move to merge the
A.129 and PAH-2 is "common
sense", says Peter Thomson, a
director of Lloyds Merchant
Bank. Europe has realised
that having two competing
anti-tank helicopters in
Europe was "absolute non-
sense", he says.
In financial terms the Euro-
pean bid is an improvement
on the UTC/Fiat proposal.
The consortium will pump
£37 • 1 million into Westland,
as opposed to £30 million
from UTC and Fiat, for an
equivalent 29-9 per cent
shareholding.
In addition, the Westland
bankers are being asked to

convert less debt into prefer-
ence capital (£23 million
rather than £28 million)
under the European deal. And
Westland shareholders are
being offered a two-for-five
rights issue at 55 pence a
share to raise another £13
million. Under a similar
UTC/Fiat arrangement, in-
vestors would be invited to
buy at 60 pence a share to
raise £14-2 million.

UTC has an option to
invest an extra £19 million in
Westland and raise the UTC/
Fiat shareholding to 35 per
cent, without being obliged to
take Westland over. The
Europeans have offered
shareholders warrants to buy
more shares at 85 pence, again
on a two-for-five basis, at any
time over the next decade.
This would reduce the con-
sortium's shareholding from
29-9 per cent down to 21 per
cent if the warrants were
exercised in full.

The UTC/Fiat deal is not
yet fully developed, and will
be the subject of further nego-
tiations, says Westland. But it
currently centres solely
around the Sikorsky UH-60
Black Hawk which, if the deal
went through, Westland
would "develop, market, and
manufacture ... for sale to a
significant number of terri-
tories throughout the world",
says Westland. These include
the Far East, Africa, and
Europe, Westland tells Flight.

But the European con-
sortium members and the UK
MoD have already made it
clear to Westland that there is
no European market for Black
Hawk.

Significantly, the UTC/
Fiat deal includes no agree-
ments for Westland to work
on other Sikorsky projects,
military or civil. But West-

US and European offers to Westland
Work

Money
Nat West/Barclays banks
convert debts to shares
holdings
Rights issue to share-
holders
Existing shareholder's
stake will be
Money from bidding
companies

USA
Guaranteed 1 million
manhours over three
years, and marketing of
Westland products.

£28m
£14 2m

(@ 60p/share)

50-1 %

£30rrT
• A further £19 million can be made available.

Europe
Non-guaranteed 3 3
million manhours over
five years.

£23m
£13m

(@ 55p/share)

63%

£37-1m

land would be keen to win a
stake in other projects should
the deal be signed. Involve-
ment in the US Army's LHX
project, for which Sikorsky
and Boeing-Vertol are teamed
to compete against Bell and
McDonnell Douglas Helicop-
ters, would be one such
project.

The Europeans, on the
other hand, have pinpointed
three collaborative projects
for the 1990s in which West-
land would take part should
their deal be accepted. These
are the NH.90 medium-size
transport helicopter, the joint
European anti-tank helicop-
ter, and Westland's existing
project with Agusta on the
EH.101. The consortium pre-
dicts a total military market
in Europe for these three
types of 1,300.
The UTC/Fiat deal
received a further blow before
Christmas with the revelation
that Libya has a 13 per cent in
Fiat. Lafico, the Libyan state
holding company handling
Libya's foreign investments,
has two members on the Fiat
board. One is part of a five-
member executive board
running the Italian company.
The disclosure was
heralded as an advantage
point for the Europeans, and
is another intriguing embar-
rassment in the political
battle between Michael
Heseltine and UK Trade and
Industry Secretary Leon
Brittan.
Heseltine has isolated
himself from the British cabi-
net by canvassing hard for the
European bid, while Brittan
has toed the party line and
insisted that Westland must
be allowed to find its own
solution to its problems with-
out Government intervention.
Unwittingly, Brittan has
found himself allied with Col
Gadaffi of Libya.
In the meantime, Westland
shares resumed trading on the
London Stock Exchange on
December 19 and leapt up 15
pence to 75 pence. Westland
is delighted with the change in
fortunes.
In two weeks it had been
brought back from the brink
of bankruptcy—the company
admits it was "perilously
close"—and taken centre-
stage in one of the most
heated commercial tug-of-war
contests on record.

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