

MO 26/9/18



Annit for the contribution
A.S.C. 9/5.

PRIME MINISTER

LYNX FOR PORTUGAL

Your Private Secretary wrote on 24th April about the possible sale of Westland Naval Lynx helicopters to Portugal.

2. The FCO and my Department have been considering the Portuguese memorandum, which effectively proposes that we should make a gift of the six Lynx as our contribution to the NATO programme. Given the difficulties with such a proposal, or with any increase in the offer of £5M direct financial aid - to be disbursed through the FCO - we have not been inclined to give an early response. But we have kept in close touch with Westlands' negotiations with the Portuguese, and do see other ways in which HMG could assist their efforts, at the proper time.

3. These other ways could include training, spares and financing. The Westlands offer will already include Lynx conversion training for Portuguese air and ground crew, and we could offer to complement this with RN operational training, partly or wholly subsidised by the MOD Defence Sales Fund. As to spares support, again we could offer to complement arrangements with Westlands, by providing a UK Logistic Support Arrangement that would enable Portuguese procurement of those spares common to both our Services' aircraft to be handled through the RAF, with significant advantages in ready availability and cost-effectiveness. Furthermore, we could offer to sponsor Portuguese membership of the European Multilateral Lynx Support Arrangement - already comprising Belgium, Denmark, France, FRG, the Netherlands and Norway as well as ourselves - which also



provides a framework for logistic co-operation. Finally, if ECGD and HM Treasury agree, we might be able to offer better terms for HMG financial backing than the norm of 10.35% interest rate for 5 years repayment of 75% of the contract price.

4. Westlands are about to put a revised commercial offer to the Portuguese, which will inter alia include some improvement on the current asking price of £48M for the six aircraft (including the two ordered by Argentina), fully fitted and with comprehensive spares support. But the Company do not wholly share the Embassy's optimism about an early Portuguese decision, even with further HMG inducements. The Portuguese may yet take some time to decide on the overall frigate programme - to which their helicopter requirement relates - and may continue their efforts to squeeze more aid from their NATO allies for a while yet. We should not want to find our offers of training assistance etc, pocketed too soon, only for the Portuguese to return to their desire for an increase in direct financial aid. We have therefore agreed with Westlands that in their next round of discussions they should only mention the possibilities of HMG assistance with training etc in general terms. If these discussions result in the Portuguese showing rather more firm interest in buying Lynx, then perhaps at the next stage there could be some more direct MOD involvement, and the possibilities for assistance could be given more precision.

5. We shall continue to keep in close touch with Westlands and with our Embassy in Lisbon on the timing of these moves. As to the proposed invitation for the Portuguese Defence Minister to visit London, this could be offered on more general Alliance defence policy grounds, but as the Lynx negotiations are bound to feature prominently in any talks the timing will again need to be carefully considered.



6. I am copying this to the Foreign and Commonwealth Secretary and, in view of the reference to credit terms, to the Chancellor of the Exchequer and the Secretary of State for Trade and Industry.

WJH

Ministry of Defence
4th May 1984

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10 DOWNING STREET

From the Private Secretary

24 April 1984

During her visit to Portugal from 17-19 April, the Prime Minister was impressed by the importance of trying to secure an order from the Portuguese Navy for Lynx helicopters to equip the three Kortenaar class frigates which are to be built under the NATO programme.

I understand that more recently the Portuguese have sent us a memorandum asking if we can make a further financial contribution towards the purchase of six Lynx helicopters. In their memorandum they suggest that our £5 million grant would be used for other, as yet unspecified, equipment. The Embassy understand that this may simply be a bargaining position and their real intention is to use our grant for the purchase of helicopters, getting from us some further assistance if possible. The Embassy's view is that it would not take much more to secure the order. They believe that Westlands should now be in a position to offer a much more attractive package based on the two Lynx helicopters originally ordered by Argentina which Westlands have in their possession for disposal following payment of their claim on ECGD. If Westlands are to be successful the Embassy are convinced that an improved offer should be put in quickly including the best offers which MOD Sales can make on Training, spares and financing.

HM Ambassador at Lisbon has also recommended that the Portuguese Vice Prime Minister and Defence Minister, Professor Mota Pinto, should be invited to spend a day in London fairly soon. This might provide the opportunity to take the matter further.

I should be grateful for your comments on the above points which Mr. Byatt suggested I might raise in London on my return.

I am copying this letter to Roger Bone (Foreign and Commonwealth Office).

Richard Mottram, Esq.,
Ministry of Defence.

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Private Secretary

We spoke about Lynx Helicopters and you asked for a draft letter which you might send to Mr Heseltine's Private Secretary. This is below.

19 April 1984

H C Byatt

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DSR 11 (Revised)

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DRAFT: minute/letter/teleletter/despach/note

TYPE: Draft/Final 1 +

FROM:

Reference

MR COLES

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

Top Secret

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PRIVATE SECRETARY OF
MR HESELTINE

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PRIVACY MARKING

SUBJECT:

..... In Confidence

CAVEAT.....

During her visit to Portugal from 17-19 April, the Prime Minister was impressed by the importance of trying to secure an order from the Portuguese Navy for Lynx helicopters to equip the three Kortenaer class frigates which are to be built under the NATO programme. You will remember that Mr Heseltine told the Portuguese Foreign Minister on 22 September last year in London of our grant of £5 million for the purchase of British equipment for this programme.

More recently the Portuguese have sent us a memorandum asking if we can make a further financial contribution towards the purchase of six Lynx helicopters which would be required for their three frigates when these are built. In their memorandum they suggest that our £5 million grant would be used for other as yet unspecified equipment. The Embassy understand that this may simply be a bargaining position and their real intention is to use the grant for the purchase of helicopters, getting from us some further assistance if possible. The Embassy's view is that it would not take much more to secure the order. They believe that Westlands should now be in a position to offer a much more attractive package based on the two Lynx helicopters originally ordered by Argentina which Westlands have in their possession for disposal following their claim on ECGD. If Westlands are to be successful it is the Embassy's firm conviction that their improved offer should be put in quickly.

Enclosures - flag(s).....

//HM Ambassador

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HM Ambassador at Lisbon has also recommended that the Portuguese Vice Prime Minister and Defence Minister, Professor Mota Pinto, should be invited by Mr Heseltine to spend a day in London fairly soon. I understand that there has been some concern in the Ministry of Defence that if Professor Mota Pinto were to be invited he would simply come "holding out a begging bowl" for further financial aid from HMG. The Ambassador believes that, on the contrary, what is now needed is a realistic discussion between two senior Ministers in order to establish firmly and precisely what we are now prepared to offer. The Prime Minister agrees that such a visit would be useful.

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