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MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~9207022~~ 218 2111/3

MO 14/5

2nd June 1982

See John,

HMS INVINCIBLE

Thank you for your letter of 1st June forwarding the message from Mr Fraser to the Prime Minister.

My Secretary of State has considered this carefully and is of the view that it is now likely that the Australians are seeking themselves to begin to back out of the purchase of HMS INVINCIBLE both because of financial concerns and the renewed doubts which there must have been about the vulnerability of a single carrier. The new Australian Defence Minister, Ian Sinclair, is known to have set in hand a reappraisal of his equipment programme in the light of the Falklands experience.

If the Australians do mean to let us off the hook then it is Mr Nott's view that it would be politically almost impossible to avoid reconsidering the proposed sale. Our operations in the South Atlantic have already stimulated considerable fresh criticism of the decision to offer HMS INVINCIBLE for sale and this is likely to intensify when the Islands are finally repossessed. It will be a major theme in Parliament over the next two months. If we were to retain HMS INVINCIBLE then we could still hold to the policy of having two carriers in service, with a third remaining in the stand-by squadron to be available when one of the other carriers is in refit and HMS HERMES would not need therefore to be run on for as long as is presently planned. All this will, in my Secretary of State's view, need very urgent consideration so that final decisions can be taken before the end of this month and he will bring forward proposals soon showing the extra costs involved.

I attach at Annex A a draft reply to Mr Fraser which Mr Nott suggests that the Prime Minister sends straight away. This holds the position over until the Falkland Islands have been repossessed. Since Mr Fraser has already made public the fact that he has sent his message, Mr Nott further suggests that the Ministry of Defence puts out the statement at Annex B to this letter as soon as

A J Coles Esq

1

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possible this evening. These texts have been agreed with the FCO at official level. Let me know as soon as possible please whether the Prime Minister is content for this to be done.

I am copying this letter to the recipients of yours.

Your ever,

A handwritten signature in dark ink, appearing to read 'David Butler'.

(D B OMAND)

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DRAFT REPLY FROM THE PRIME MINISTER TO THE PRIME MINISTER OF AUSTRALIA

1 June
Thank you very much for your message of ~~yesterday's~~ date which was passed to me ^{by} ~~from~~ your High Commission.

It was most considerate of you to tell us that we should not feel held to any moral obligation over the proposed sale of HMS INVINCIBLE. ~~We do of course feel under such an obligation but nevertheless we much appreciate your message and are~~ ^{we} ~~also~~ grateful for Ian Sinclair's agreement not to press John Nott to conclude the contract arrangements whilst military operations involving HMS INVINCIBLE are still in progress in the South Atlantic.

As you may have heard, the fitting out of her sister ship HMS ILLUSTRIOUS has been accelerated and we now expect her to enter service rather earlier than had been expected, in late summer this year. I am hoping that we can make a rapid assessment of where we stand as soon as the situation in the Falkland Islands permits. I believe that we should be able to give you a clear indication of our view concerning HMS INVINCIBLE by mid-July.

May I also take this opportunity to say again how greatly heartened I have been throughout the last few difficult weeks by the consistent support which you have given us over the Falklands crisis and which underlines yet again the common objective we have in ^{ensuring} ~~seeing to it~~ that aggression does not pay.

HMS INVINCIBLE : STATEMENT BY MOD

The Prime Minister has received a message from the Prime Minister of Australia concerning the proposed sale of HMS INVINCIBLE to the Royal Australian Navy. Whilst the Australian Government are still keen to purchase HMS INVINCIBLE they have informed us that they would not hold us to the sale if, as a result of the Falkland Islands operation, we were to decide that we wished to retain the ship. This is a most helpful gesture wholly in keeping with the tremendous support which the Australian Government has given us throughout the Falklands crisis and which underlines yet again the close ties between our countries.

2. The Prime Minister has thanked Mr Fraser for his typically generous message and has told him that we will be making a rapid assessment of where we stand on the future of HMS INVINCIBLE as soon as the situation in the Falkland Islands permits. We hope to have taken final decisions on the sale within a few months.