

Duty Officer

10 Downing St

P.a.

Apr 15/12

SALE OF HMS INVINCIBLE

1. As we agreed earlier tonight, I attach a very short brief for the Prime Minister on this topic. At the time of writing we have no indication of the Australian Cabinet's decision, either way.
2. A carbon copy will go to the Secretary of State's office at approx 8.30 am. His Private Secretary has endorsed the "line to take".
3. Apologies for the manuscript!

Att Zowe

Resident Clerk

MoD

0300 hrs 15/12/81

218 - 6002

CONFIDENTIAL

PRIME MINISTER

SALE OF HMS INVINCIBLE TO AUSTRALIA

1. The Prime Minister is aware that negotiations have been taking place for the sale of HMS Invincible to the Royal Australian Navy. The Australian Cabinet is due to consider the purchase on Tuesday ~~morning~~ ~~local time~~ (Monday / Tuesday night in London). The Defence Adviser at the High Commission in Canberra has now reported a conversation with the Australian equivalent of the Chief of the Defence Staff, indicating that Mr Frazer is likely to telephone the Prime Minister to convey their decision.
2. With the authority of OD Committee, the Secretary of State for Defence signalled his Australian counterpart (Mr. Killen) on Saturday 12 December. This signal outlined the terms of sale, which were agreed by the negotiators in Canberra with one exception. The price itself (£175 M) is not at issue, but the timetable of payment has not been agreed. The UK has been pressing for a large early payment — at or near £95 M in 1982/3 — in order to ease pressure on the UK Defence Budget in that year.
3. It is likely that Mr Frazer will say that the Australian Government needs further time to consider this particular provision, and wishes to delay a final decision until February or at least until after Christmas.

4. Line to Take

The Prime Minister is advised to say that the Australian Government must of course consider this matter carefully before reaching a final decision; but to stress the importance of a very early decision in view of its consequences for the UK Defence Budget.

AA Lowe

RESIDENT CLERK
MINISTRY OF DEFENCE
0245 hrs, 15 Dec. 1981