

SECRET



MINISTRY OF DEFENCE  
MAIN BUILDING WHITEHALL LONDON SW1

Telephone 01-330 7622 218 6169

MO 14/5

15th December 1981

*N&P  
f.a.  
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12.*

*Alan John,*

Last night our Resident Clerk provided you, against the possibility of an early morning telephone call to the Prime Minister from the Prime Minister of Australia, with a short note on the present state of the negotiations with the Australian Government on the sale of HMS INVINCIBLE. This note is intended to amplify and, so far as possible, update the earlier one.

I enclose a copy of the signal which my Secretary of State sent to the Australian Defence Minister, Mr Killen, on 12th December which confirmed the sale of HMS INVINCIBLE to the Australians on the basis of the agreement initialled by negotiators in Canberra on 20th November, but only on the condition that about £95 million of the sale price of £175 million would be paid to us in 1982/83.

As our earlier note forecast, the Australian Cabinet considered their purchase of INVINCIBLE at their meeting on Tuesday (Monday/Tuesday night in the UK). The matter is, we understand, to be considered again on Wednesday (Tuesday/Wednesday night here). In the meantime my Secretary of State sent a message to Mr Killen via our High Commissioner in Canberra in advance of the Australian Cabinet's first meeting on this. The main purpose of the message was to point up the fact that any delay in a decision by Australia (because of a need to consider further our insistence on a substantial early payment) would strengthen the pressures on Mr Nott to withdraw the offer. I enclose a copy of Mr Nott's message and of our High Commissioner's reply after he had transmitted the message to Mr Killen. As you can see, there is now some doubt whether Mr Frazer will telephone the Prime Minister on this. If, however, he decides to do so it would presumably be some time after 7.00am tomorrow following his Cabinet meeting (about 3.00am our time).

We have arranged for our Resident Clerk and Press Office to be informed as soon as any decision is announced by the Australian Government and our Press Office (and yours) are already armed with a reciprocal statement and a full set of defensive material in Question and Answer form.

*Yours sincerely*

*D T PIPER*

(D T PIPER)

J Coles Esq

SECRET



C O N F I D E N T I A L

CAF020 12/1253 346A0371

14/5.

FOR CAF

IMMEDIATE/IMMEDIATE 121135Z DEC 8

FROM / MODUK  
TO- BHC CANBERRA  
INFO 10 DOWNING STREET  
FCO

14/5.

C O N F I D E N T I A L

SIC ACA/A2P

(FCO FOR DEFENCE DEPT)

FROM MOD RESIDENT CLERK FOR HIGH COMMISSIONER . DESK BY  
122100Z DEC.

1. SALE OF HMS INVINCIBLE. GRATEFUL IF YOU WOULD PASS FOLLOWING  
MESSAGE TO MR KILLEN FROM SECRETARY OF STATE.

QUOTE 1. I AM SORRY THAT I HAVE NOT BEEN ABLE TO WRITE TO  
YOU EARLIER BUT I AM NOW IN A POSITION TO CONFIRM, WITH THE  
CONCURRENCE OF MY CABINET COLLEAGUES, THE UNITED KINGDOM GOVERN-  
MENT'S AGREEMENT, SUBJECT TO SATISFACTORY TERMS OF PAYMENT,  
TO THE SALE OF HMS INVINCIBLE TO THE RAN ON THE BASIS OF THE  
DRAFT SALES AGREEMENT INITIALLED BY ADM ROURNE AND MR PAREN  
AT THE CONCLUSION OF THEIR NEGOTIATIONS IN CANBERRA 20TH  
NOVEMBER, BASED ON 30TH SEPTEMBER 1983 AS THE DUE DATE FOR  
HANDOVER OF HMS INVINCIBLE TO THE RAN.

2. THE DRAFT SALES AGREEMENT LEFT OPEN FOR FURTHER DISCUSS-  
IONS THE PAYMENT SCHEDULE FOR THE SHIP. ADM ROURKE HAS SINCE  
PROPOSED A PAYMENT SCHEDULE UNDER WHICH APPROXIMATELY POUNDS  
95M (DOLLARS 255M) WOULD BE PAID BETWEEN APRIL AND JUNE  
NEXT YEAR. THERE ARE A FEW MINOR POINTS OF DETAIL WHICH  
WE WOULD WISH TO DISCUSS ON THE PAYMENT SCHEDULE BUT FOR  
OUR OWN BUDGETARY REASONS WE WOULD NEED TO RECEIVE A SUBSTAN-  
TIAL EARLY PAYMENT NEXT YEAR ALONG THE LINES OF THE PROPOSALS  
OF ADM ROURKE AS A CONDITION OF THE SALE.

3. WHEN THE SHIP IS HANDED OVER TO THE RAN WE WILL WISH TO RETAIN  
THE NAME HMS INVINCIBLE FOR THE ROYAL NAVY. YOU WILL UNDER-  
STAND THAT WE WISH TO PRESERVE THE LONG HISTORICAL CONTIN-  
UITY OF THE ROYAL NAVY'S USE OF THE NAME. I BELIEVE, HOWEVER,  
THAT IT WAS ALWAYS YOUR INTENTION TO REName THE SHIP ON ENTRY  
INTO RAN SERVICE.

4. WE HAVE RECEIVED FROM OUR HIGH COMMISSION A DRAFT OF  
YOUR PROPOSED PRESS ANNOUNCEMENT ON HMS INVINCIBLE. THE HIGH COM-  
MISSION WILL BE GIVING YOU ANY COMMENTS WE HAVE ON THE PROPOSED  
TEXT OF YOUR ANNOUNCEMENT, TOGETHER WITH THE PARALLEL STATEMENT  
WHICH WE SHALL BE MAKING IN LONDON.

5. AS YOU WILL KNOW THE ROYAL NAVY IS PARTING WITH HMS INVINCIBLE  
WITH EXTREME RELUCTANCE. SHE IS A FINE SHIP OF PROVEN CAPA-  
BILITY AND WILL I AM SURE SERVE THE ROYAL AUSTRALIAN NAVY  
WELL. I HOPE THAT THE SALE OF INVINCIBLE AND THE CURRENT  
DISCUSSIONS BETWEEN OUR DEPARTMENTS ON THE POSSIBLE ACQUIS-

ITION OF TWO HUNT CLASS MCMV SHIPS WILL DO MUCH TO STRENGTHEN  
THE TRADITIONAL LINKS BETWEEN OUR TWO NAVIES AND TO REESTAB-  
LISH OLD TIES BETWEEN THE IRAN AND THE BRITISH DEFENCE INDUS-  
TRIES. -UNQUOTE-

MESSAGE ENDS. -

2. SIGNAL FOLLOWS FOR BDLs CANBERRA ON AUSTRALIAN MINISTERIAL  
ANNOUNCEMENT

BT

DISTRIBUTION A2P.

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CAF 1 S of S ACTION (CYR 1 Res Clerk)

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IMMEDIATE

VV

SECRET

ZPA002 15/0007 349E0025 SPECIAL HANDLING

FOR ZPA

IMMEDIATE/IMMEDIATE 142100Z DEC 81

SECRET

PARAPHRASE NOT REQUIRED

TO BE DECLASSIFIED BY 250000Z

FROM MODUK  
TO BHC CANBERRA  
INFO FCO LONDON

EXCLUSIVE

SECRET EXCLUSIVE  
SIC AAA/A2P  
FCO LONDON FOR RESIDENT CLERK  
DESK BY 0800 LT

EXCLUSIVE - FOR HIGH COMMISSIONER FROM SECRETARY OF STATE  
FOR DEFENCE (IN ABSENCE OF HIGH COMMISSIONER DEPUTY HIGH  
COMMISSIONER TO ACTION).

HMS INVINCIBLE

1. AS YOU KNOW THE ROYAL NAVY IS DEEPLY CONCERNED ABOUT MY DECISION TO SELL INVINCIBLE TO THE RAN. MY TALKS WITH THE FIRST SEA LORD HAVE BEEN PROTRACTED BUT I HAVE INSISTED, PRIMARILY BECAUSE THE NAVAL PROGRAMME IS GRAVELY OVER-STRETCHED AND THE SALE PROCEEDS ARE REQUIRED TO OVERCOME OUR BROADER FINANCIAL DIFFICULTIES. ANY DELAY BY THE AUSTRALIAN CABINET IN AGREEING TO THE PURCHASE AND A CONSECUTIVE ANNOUNCEMENT THIS WEEK WILL STRENGTHEN THE PRESSURES ON ME HERE TO WITHDRAW THE OFFER.

2. IT FOLLOWS FROM WHAT I HAVE SAID THAT A PRIME JUSTIFICATION OF THE SALE REQUIRES A LARGE EARLY PAYMENT TO SOLVE NEXT YEARS BUDGETARY DIFFICULTIES AND ALTHOUGH I WOULD NOT INSIST IN STICKING RIGIDLY TO POUNDS 95M THE FORWARD PAYMENT MUST BE CLOSE TO THIS. I CAN APPRECIATE THAT MALCOLM FRAZER IS CONCERNED ABOUT THE PARLIAMENTARY AND OTHER OPPOSITION TO THE PURCHASE BUT LOOKED AT FROM THIS END THE SHIP IS VIRTUALLY NEW AND A VERY CONSIDERABLE BARGAIN. IF THERE ARE NOW DELAYS IN COMING TO AN AUSTRALIAN DECISION I BELIEVE IT MAKE IT VERY DIFFICULT FOR US AT BOTH ENDS.

3. IF YOU FEEL IT APPROPRIATE TO TRANSMIT THIS MESSAGE TO MR KILLEN PRIOR TO THE CABINET MEETING IN A FEW HOURS TIME I WOULD BE HAPPY FOR YOU TO DO SO BUT I LEAVE IT TO YOUR JUDGEMENT. WE NEED TO SELL AND WE NEED THE FORWARD PAYMENT BUT IT WILL BE INCREASINGLY DIFFICULT TO HOLD THE POSITION FOR VERY LONG HERE

ORIGINATOR LOWE RES CLERK 6002

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*Resident Clerk*

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FLASH

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PARAPHRASE NOT REQUIRED

SECRET UK EYES ALPHA

MOD

FM CANBERRA 150342Z DEC 81

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TO FLASH MODUK

UK EYES A

TELNO SIC AAA/A2P OF 15 DECEMBER

157007

INFO FLASH FCO (FOR RESIDENT CLERK)

EXCLUSIVE

EXCLUSIVE FOR SECRETARY OF STATE

FROM HIGH COMMISSIONER

HMS INVINCIBLE

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YOUR SIC AAA/A2P 142100Z DEC 81 TRANSMITTED TO MR KILLEN AT 1330 LOCAL JUST PRIOR TO CABINET MEETING, WHICH MAY EXTEND UNTIL TOMORROW 16 DECEMBER. HE SAID QUOTE THIS DOES IT FOR ME, I WILL INFORM PM UNQUOTE. YOUR TELEX MAY WELL HAVE SAVED THE DAY.

2. NOW UNDERSTAND THAT PM DID NOT SIGNAL AUSTRALIA HOUSE LONDON OR MAKE A TELEPHONE CALL TO NO 10. IN VIEW OF YOUR MESSAGE HE MAY NOT NOW DO SO. WILL KEEP YOU INFORMED.

MASON

NNNN

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RLS CLERK @ 15/0455Z

EXCLUSIVE  
UK EYES A  
SECRET

PARAPHRASE NOT REQUIRED

TO UNCLASSIFIED REPLY ON REQUEST

5 DEC 1981



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