

SECRET AND PERSONAL  
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Prime Minister

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Please see the two letters.

Mr. Fraser could ring at any time in the next few days.

MINISTRY OF DEFENCE

MAIN BUILDING WHITEHALL LONDON SW1

Telephone 01-938 7022 218 2111/3

A.J.C. 19/2



MO 25/3/4

19th February 1982

Dear John,

p.a.

OR 25/2

HMS INVINCIBLE

I have written to you separately today about the present state of play on the sale of HMS INVINCIBLE to the Australians. There is one additional factor that I should draw to your attention.

We are faced with the likelihood that the Australians will not be able to afford HMS INVINCIBLE in 1983. The Australians may seek a 1985 date, with payments spread out between now and then. Getting the money in early was the consideration that tipped our balance in favour of sale, as against the political difficulties. These difficulties continue (there is for example an Early Day Motion on the Order Paper) and there would be great difficulty in getting the Royal Navy to accept a sale in 1985, by which time the savings from closure of dockyards, rundown of numbers and so on should be easing their budgetary problems. The Navy will argue strongly to keep the ship in some form of reserve thus ensuring that at any one time two of the new class of carrier can be kept operational. All this leads my Secretary of State to believe that it will be very difficult to present publicly a sale in 1985, or indeed justify protracted further negotiations with the Australians.

Mr Nott believes however that it may be possible to salvage something from this wreckage. We know from Robert Wade-Gery's recent report on the Trident negotiations that the Americans are looking for evidence which they can use with Congress (but without direct linkage) to demonstrate the importance of the United Kingdom's conventional forces, particularly outside the NATO area. The retention of HMS INVINCIBLE until her two sister ships enter service (by 1985) could be presented in this light - that is, if we withdraw her from sale on hearing that the Australians are not prepared to go for the 1983 date and early payments. It would be a difficult card to play, and the timing is not entirely within our control, but if played in the right way and luck is with us then it could help secure a significant further concession on the R&D levy after we have got down to the lowest possible figure using our present leverage. That in turn would be of great political importance in its own right in presenting the Trident case, whilst we would also secure

A J Coles Esq

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backbench approval for the retention of HMS INVINCIBLE.

What I have set out above is a further reason which leads Mr Nott to believe that any approach to the Prime Minister from Mr Frazer seeking agreement to a later date of sale or an extension of the deadline, should be handled with the greatest circumspection. Mr Nott will be at home in Cornwall over the weekend and he would welcome the opportunity to have a word with the Prime Minister first should you receive warning that Mr Frazer wishes to speak to her.

I am copying this letter to Brian Fall (FCO) and Robert Wade-Gery and David Wright (Cabinet Office).

*Yours ever,*  
*David Omand*

(D B OMAND)