

SUBJECT

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FILE Reference  
Wade Geny  
CO  
Treasury  
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10 DOWNING STREET

From the Private Secretary

22 February 1982

Mr. David,

HMS INVINCIBLE

Your Secretary of State had a brief discussion with the Prime Minister this morning about the problem which could arise if in the next day or so the Australians should decide that they did not wish to purchase HMS Invincible in accordance with the present Memorandum of Understanding which provided for an advance payment now and delivery in 1983. The Government was already under considerable pressure from Conservative backbenchers who wished Invincible to be retained. It was desirable that, if a negative Australian decision became known, perhaps through briefing of the press by the Australian Government, we should demonstrate that we were firmly in control of the situation. Mr. Nott explained that he was due to answer a question about Invincible in the House of Commons tomorrow.

It was agreed that, in reply to Parliamentary questioning, your Secretary of State might say that it was wholly up to the Australian Government to decide whether to purchase Invincible under the terms which had been offered, namely delivery in 1983. If they decided that they did not wish to do so on these terms, we intended to withdraw Invincible from the market for the time being while we reconsidered the position.

This would give us the opportunity to say to the Americans, during the next round of negotiations on Trident, that in the light of their known views about the importance of the United Kingdom conventional forces, it would be our intention not to put Invincible back on the market for the time being, provided that decision could be shown to have won us more favourable terms for Trident than would otherwise have been the case.

Mr. Nott also raised the question of whether we should pass a message to the Australian Government, in advance of their decision, to the effect that if they did not accept the terms of sale which we had offered, we should not be able to envisage a later date of purchase. The Prime Minister was somewhat concerned that a message in these terms might give offence. She also wanted to avoid any danger of a communication with the Australian

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Government on this matter leaking. It might be better to couch our message to the Australians more in terms of an enquiry. We could in effect say that if they were in difficulties and did not wish to proceed, it would be helpful if they would let us know now. Another possibility would be to explain that your Secretary of State had to answer questions on this matter tomorrow and proposed to take the line referred to above. Mr. Nott said he would reflect further before deciding how to make the point to the Australian Government.

I am copying this letter to Brian Fall (Foreign and Commonwealth Office), John Kerr (HM Treasury), David Wright (Cabinet Office) and Robert Wade-Gery (Cabinet Office).

*John Kerr*  
*John Kerr*

David Omand Esq  
Ministry of Defence.