



MO 5/21

PRIME MINISTERHMS INVINCIBLE

I am now in a position to give you my advice about the future of HMS INVINCIBLE in the light of Malcolm Fraser's message on 1st June. As you will remember, he told us that while he is keen to proceed with the purchase, we should not feel ourselves bound by any moral obligation if on reflection following the Falklands crisis, we concluded that we wished to retain her.

2. As you know, I take the view that the Falklands crisis must not be allowed to deflect the main thrust of our defence policy and I remain convinced that for maritime operations in the NATO area we should continue to place greater emphasis on submarines and aircraft rather than on surface ships. It is, however, part of our declared policy to maintain an effective out of area capability; and our experience in the Falklands has demonstrated a need to retain the ability to deploy two carriers at any one time to deal with an unexpected crisis. Without both HERMES and INVINCIBLE on station in the South Atlantic our air cover would have been inadequate and there is no doubt in my mind that we should have had considerable difficulty in carrying out a successful landing. Nor would we have been able to conduct operations for much longer without relieving one of these ships; indeed we have had to bring forward ILLUSTRIOUS (a third carrier) to take HERMES' place in August. Three were therefore needed to ensure continuity on station and the ready availability of two. Against this, I should add that I can think of few places in the world where this argument would apply with as much force as



in the Falkland Islands. But this apart, opinion in Parliament and the country clearly expects us to take advantage of the Australian offer.

3. I therefore propose that we should reply immediately to the Australians saying that we have concluded that we wish to retain INVINCIBLE. The reasons will need to be carefully explained to them. At the same time I think that we ought to continue to try to keep the idea of a carrier sale alive - thereby keeping our toehold in their defence equipment market - by offering them a package involving HERMES and a number of Sea Harriers or Sea Kings. I cannot predict what their reaction might be - although I have received the attached letter from Ian Sinclair - but I think they would understand our need to retain INVINCIBLE in order to ensure "commonality" in our carrier force and because of the political importance attached to her. HERMES on the other hand might be an attractive option for them. She would be cheap. She has been refitted recently and is equipped with the most up to date electronics. She is also larger than INVINCIBLE and, given proper maintenance, should last well into the 1990s. The deal could involve a sale or a lease; and HERMES could be made available immediately ARK ROYAL enters service in the mid-1980s (or conceivably earlier). We also need to know the Australians' requirements for aircraft. All this suggests to me that if they showed any interest there would be advantage in an explanatory visit by a high level team to Australia in the near future to discuss their possible needs.

4. We would not have considered stopping the sale of INVINCIBLE were it not for the Falklands "experience". Unless keeping her is not to damage our more important NATO commitment, we should need to charge her retention against the cost of the Falkland Islands operation. A preliminary assessment suggests that the expenditure might fall as follows:



<u>1982/83</u>	<u>1983/84</u>	<u>1984/85</u>	<u>1985/86</u>	<u>etc</u>	
50	70	65	25		£m

5. If you agree, I propose to inform the House during the Defence Debate on Thursday that we are discussing the Australians' offer with them and hope to make an announcement in due course. This will entail your sending a message to Malcolm Fraser beforehand; and I attach a draft for your consideration.
6. I am sending copies of this minute to OD colleagues and to Sir Robert Armstrong.

J.N.

(approved by the Secretary of State  
and initialed in his absence)

Ministry of Defence  
29th June 1982