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MINISTRY OF DEFENCE  
MAIN BUILDING WHITEHALL LONDON SW1  
Telephone 01-218 2111/3

MO 14/5

9th July 1982

*Dear John,*

VISIT OF AUSTRALIAN DEFENCE MINISTER

Mr Ian Sinclair, the Australian Defence Minister, will be calling on the Prime Minister at 1715 on Monday 12th July.

/ Mr Sinclair and his party (list at Annex A) arrived on Thursday for talks with the Defence Secretary about the future of HMS INVINCIBLE. We have explained to Mr Sinclair the reasons why HMG has decided to retain INVINCIBLE and we have made the offer of HMS HERMES as an interim solution for the Royal Australian Navy (summary of the line taken is at Annex B).

The Australians have so far confined themselves to an explanation of the political difficulties in which they see themselves if INVINCIBLE is not available, and they have been very cautious in their approach to the offer of HMS HERMES, although they have not ruled this out.

Today the Australian Team were given a presentation in the Ministry of Defence on the Falklands operation, and visited British Aerospace at Kingston-upon-Thames where they were given briefings by Sir Frederick Page on the Sea Harrier and the AV8B. There are likely to be further working level discussions over the weekend.

// On Monday morning Mr Sinclair will be given an intelligence briefing in the Cabinet Office, and it is planned that he should call on the Foreign and Commonwealth Secretary. There may well be further discussions with Mr Nott before Mr Sinclair calls on the Prime Minister. I should like, therefore, if this is acceptable to you, to let you have a note on Monday on the position that has been reached over INVINCIBLE/HERMES. Attached to this letter at Annexes C and D are records of conversations so far.

/ Attached also at Annex E is a biographical note on Mr Sinclair.

I am copying this letter and enclosures to John Holmes (FCO) and to David Wright (Cabinet Office).

*Yours ever*  
(D B QMAND)

John Coles Esq

VISITORS AND ADMINISTRATION

The Right Honourable Ian Sinclair MP  
Minister for Defence

Mr William B Pritchett  
Secretary, Department of Defence

Vice Admiral David Leach  
Chief of the Naval Staff

Rear Admiral William Rourke  
Chief of Naval Materiel

Mr John Moten  
First Assistant Secretary, Force Development and Analysis

Dr Graham Starr  
Senior Private Secretary to the Minister for Defence

Ms Corienne Corbiere  
Personal Secretary

In Attendance

Sir Victor Garland  
Australian High Commissioner, London

Major General A Clunies-Ross  
Head of Australian Defence Staff, London

Sir John Mason  
British High Commissioner, Canberra

Wing Commander C T K Cody RAF (Ret'd)  
Government Hospitality

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DUS(Navy)

ANNEX B

Ref: 4/1/6.2(247)

PS/S of S through PUS

Copy to: PS/Minister(AF)  
PS/Minister(DP)  
PSO/CDS  
PS/PUS  
Sec/CNS  
PS/HDS  
DUS(P)  
AUS(NS)  
AUS(Sales)  
RMD3  
DG Marketing  
Head of DS5

HMS INVINCIBLE

Thank you for your MO 14/5 dated 2 July.

I attach a speaking brief and background note for SofS's meeting with Mr Sinclair later this week.

*ay*

6 July 1982

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LINE TO TAKE

1. In the light of Mr Fraser's generous offer HMG has decided to retain INVINCIBLE. This is necessary because experience has shown that to be able to mount effective operations out of area without shore based air cover two carriers are needed.
2. We were lucky to have both INVINCIBLE and HERMES available together when the Argentines attacked. In the long term, however, we cannot guarantee having two carriers available for more than two-thirds of the time without a third ship. Moreover, if the Argentines had held out for much longer we would have had to relieve one of the carriers; as it is we have had to press ILLUSTRIOUS prematurely into service.
3. We are very conscious that our decision will pull the rug out from under the RAN. The Australians have said that they would be prepared to accept a gap following the demise of MELBOURNE, but we assume that it could not be long enough to cover the building period of a new ship.
4. We could certainly offer to build a new carrier for the RAN. There is plenty of shipyard capacity in Britain; but it would take six or seven years to deliver the ship (and it could cost about £400m).
5. We thought therefore that the offer of HERMES as an interim replacement for MELBOURNE might be attractive in the circumstances. It is a genuine attempt to help the RAN. It is not true that HERMES is as clapped out as MELBOURNE. In fact she has up to ten years' life ahead of her and she has fully up-to-date equipment - in some ways better than INVINCIBLE.
6. Of course we looked at the possibility of retaining HERMES for ourselves; but we cannot possibly contemplate building a new carrier - at a time when Trident expenditure will be coming to a peak and when we are going to have to spend considerable sums in replacing ships lost in the South Atlantic.

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7. It would simply not square with our change of policy, or with our budgetary circumstances over the next decade, to continue with the sale of a brand new ship and retain one which would need to be replaced in a few years' time. Nor can we possibly justify this to public opinion over here, especially in view of Mr Fraser's generous offer.

8. The transfer of HERMES to the RAN, however, on very favourable terms, would give them a breathing space. The ship should not need another major refit before the 1990s and we would be prepared to provide support in exactly the same way as for INVINCIBLE. A great deal of the equipment on HERMES will be remaining in service in other ships of the RN.

9. We would be happy to consider a package including some helicopters and fixed wing (VSTOL) aircraft which could be delivered by late 1985, the cost of which could be kept within the sum budgetted by the Australians for INVINCIBLE.

10. We would be prepared to be flexible about the timing of the transfer of HERMES. We would prefer it to be not before 1985, when ARK ROYAL is expected to be received from the builders - and this would coincide with the delivery of the aircraft.

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## BACKGROUND

1. Annex A describes the deal struck over INVINCIBLE before the Falklands crisis; the main features were:
  - a. Delivery in September 1983 - regarded by the Australians as important both operationally (to allow MELBOURNE to be paid off without another refit) and politically, in view of the Australian Opposition's commitment to cancel the sale (their election is due in late 1983). However, the agreement allowed for deferment to 30 March 1984, subject to liquidated damages, in the event of delay to ILLUSTRIOUS.
  - b. Price £175m - excluding ammunition and aircraft, and on-board stores and spares (for which a separate sum of £7.2m was payable). To be paid in instalments of:
    - £58m in July 1982
    - £59m in September 1983 (on delivery)
    - £58m in July 1984
  - c. Support -- within the price at b. we were to give the ship a docking and rectify defects before delivery. Thereafter the RN would provide support services, embracing:
    - training
    - supply of stores and spares
    - cooperative logistic support
    - design changesin respect of equipment remaining in active use within the RN.
2. The Falklands crisis has, however, created a new situation. It has shown clearly that, if we wish to retain an effective capability for dealing with emergencies beyond the NATO area - an important part of our Cmnd 8288 policy - in which we may encounter even a medium air threat beyond the range of friendly shore-based aircraft, we must be able to:
  - a. deploy two carriers at short notice;
  - b. maintain two carriers on station for a significant period.

Both these requirements demand a third ship.

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3. Essentially therefore we are retaining a third carrier to give greater effect to our out-of-area capability; recognising at the same time that the measure would also be greatly welcomed by SACLANT.

4. In some ways (eg for command and control) HERMES is better suited for out-of-area operations than INVINCIBLE. For us, however, the problem is that she would require replacement after a few years. We cannot afford this, and her retention rather than that of INVINCIBLE - a new ship with 25-30 years' life ahead of her - would not be sensible, or credible to public opinion, as a means of fulfilling our new objective. INVINCIBLE would, moreover, be somewhat cheaper to operate than HERMES. (NB The intention would not be to keep INVINCIBLE "in mothballs" but to rotate her, with ILLUSTRIOUS and ARK ROYAL, through a cycle of operations/stand-by and refit)

5. It is not, however, true that, as Mr Sinclair is reported to have said, HERMES is no better than MELBOURNE. She has just been extensively modernised at a cost of £70m; and her capability is both greater (eg ski jump) and fully up to date. She has up to ten more years life left in her without another major refit.

6. A comparison between HERMES, INVINCIBLE and MELBOURNE is at Annex B. It will be noted that HERMES' complement is the same as that of MELBOURNE.

7. It is not surprising that the Australians should seek to persuade us to keep HERMES rather than INVINCIBLE. In the latter they had a bargain, both in first costs and in support costs. Since they proposed to rely on us for support, commonality with ILLUSTRIOUS and ARK ROYAL was an advantage for them also.

8. Any arguments they can use about HERMES, however, can be turned back on themselves. We should not pretend that we see the offer of HERMES as a full alternative to that of INVINCIBLE for the RAN; but rather as a positive gesture to overcome what would otherwise be an unbridgable gap in their maritime capability, giving them a breathing space to develop a satisfactory long term solution. A promise of adequate support would be essential.

9. The timing of any transfer may present a difficulty. To be consistent with the reasons for retaining a third carrier (paragraph 2 above), we should keep HERMES at least until ARK ROYAL is received from the builders (ie until April 1985). If, however, an earlier transfer is necessary to clinch the deal, this could be considered, bearing in mind that both INVINCIBLE and ILLUSTRIOUS are new ships. We might consider releasing HERMES in September 1983, when INVINCIBLE was due to be sold, provided the Australians were prepared to agree an understanding whereby HERMES would return to RN service in the event of a major crisis in the period before ARK ROYAL enters service in 1985. This might be covered by an initial period of lease or some understanding between the two Prime Ministers. We would in these circumstances be prepared to consider the release to the Australians of some of the Sea Harriers and Sea Kings, included in the orders which we are just placing in excess of CORPORATE losses, to secure their earliest possible in-service dates with the RAN.

10. Annex C suggests possible package, within a cost of £208m. This is only £13m more than the sum (£195m) which the Australians were prepared to pay for INVINCIBLE plus three Sea Kings. For that sum they could have HERMES plus five Sea Kings and twelve Sea Harriers.



HMS INVINCIBLE/HERMES FOR AUSTRALIA

1. The terms of the INVINCIBLE sales agreement and support MOU are summarised below.
2. During the negotiations with the RAN and the subsequent approvals in Canberra, the three main areas of attention were:
  - a. Delivery date. The September 1983 date was important both operationally (it allowed MELBOURNE to be phased out of service without further refit) and politically in view of the Australian Opposition's commitment to cancel the sale. The Australian General Election is due in late 1983. Following the agreements reached in February, MELBOURNE has been de-equipped and was due to enter the contingency reserve at the end of last month.
  - b. Price. Based on the sale price of £175M, the RAN got approval for project cost (including support, training, etc) of A\$478M. This just got in under the total figure of A\$500M that we were later reliably informed was available for this programme. A new buy could not be accommodated within such a ceiling if it is in fact a real one.
  - c. RN support. After initial major concern at the problems of operating and supporting a UK equipped flag ship with a predominantly US equipped surface fleet, the RAN were reassured by the support they were offered in the MOU, and the fact that they would be operating as one of a fleet of 3 ships which was likely to remain in RN/RAN service for at least the next 20 years, whereas a US Iwo Jima class ship would have been so modified to meet RAN requirements as to make it essentially a 'one off' ship, albeit with a high degree of equipment commonality with their FFGs. The same argument might arise in respect of HMS HERMES.

Terms of the INVINCIBLE sale

3. The terms negotiated with the Australian Government provide for INVINCIBLE to be handed over to the RAN in the UK on 30 September 1983 for a firm fixed price of £175M. The agreed phasing of payments is as follows:

July 1982	£58M
September 1983 (handover)	£59M
July 1984	£58M

Within the price the UK will undertake a DED in 1982 and will rectify any defects affecting the sea-going characteristics or operational capability of the ship at the time of handover. The price excludes war stores (missiles, torpedoes, small arms, ammunition), aviation equipment (VSTOL aircraft, helicopters including their handling equipment and stores) and spares, stores and supplies on-board at the time of handover (for which spares, stores and supplies a separate fixed revisable sum of £7.2M was negotiated).

4. The Sales Agreement provides for the date of delivery to be deferred until 30 March 1984 if there is a delay in the entry into RN operational service of HMS ILLUSTRIOUS. Liquidated damages would be payable after 60 days delay from 30 September 1983 at £5,000 a day up to a maximum of £0.6M. After 30 March 1984 the RAN may terminate for default. In the event of UK termination or default, other than arising from the loss or serious damage to INVINCIBLE, any payments made by the RAN have to be returned with interest together with a sum to be negotiated disruption. The interest and disruption payments would not be made in the event of the loss of INVINCIBLE, while in the case of serious damage, consultations will take place to decide whether the sale should be terminated or the terms amended. If the RAN withdraw, an agreed sum for disruption will be paid to the UK.

#### Memorandum of Understanding

5. In parallel with the Sales Agreement, a wide ranging support MOU was negotiated with the RAN to help them effectively introduce and maintain the ship and its equipment in service. The main areas covered by the MOU are:

- a. training (pre-joining, operational sea training and follow-on training)
  - b. supply of spares and stores (initial supply on-board, initial inventory stock holding, and replenishment during RAN operation)
  - c. cooperative logistic support for specified equipments (to be agreed)
  - d. design and associated services including support services to assist the RAN to make its own changes in configuration
  - e. advice on stock-holdings, maintenance and repair matters, software matters, and details of alteration and additions to equipment in common RN and RAN service.
6. The services were offered subject to:
- a. the availability of RN resources
  - b. the RN having first priority call

- c. the services being provided only for so long as they are provided for the RN
- d. the services being provided only in respect of equipments in active RN service.

## COMPARISON BETWEEN HMAS MELBOURNE, HMS HERMES AND HMS INVINCIBLE

	MELBOURNE	HERMES	INVINCIBLE
Size	20,000 tons	28,500 tons	20,000 tons
Age now	27	23	2
Life expectancy	1985 (1976 plan)	early 1990s	2005-2010
Annual running cost <sup>(1)</sup>	Not known	£11m	£9m
Next refit due <sup>(2)</sup>	Overdue	1985	1986
Aircraft	20 approx max. Probably Helicopters only	30 max approx	20 max approx
Complement (excluding Air Group)	1070	1070	650
Propulsion	Steam/FFO	Steam/FFO	Gas Turbine/DIESO
Warfare Missiles/Guns	40 mm guns	Seacat (Point Defence)	Seadart (Area defence and surface to surface)
Electronic warfare	Obsolete	Nil	Good
Amphibious Lift	Not known	Commando Group (950 approx)	Company Group (130 approx)
Command and Control	Old radar and action information system. No sonar	Adequate radars, sonars and action information system. Special fit for ASW operations	Good radar and action information systems, adequate sonar
Material State	Decommissioned	Good	Very good

(1) Personnel and POL costs excluding refit, maintenance and stores

(2) Major refit and modernisation costing £70m completed in 1981

THE PACKAGE

BASIS The Australians have provided £175m for HMS INVINCIBLE, £8m for stores, £20m for three Sea Kings: a total of approximately £210m (with escalation for stores and Sea Kings).

The incidence of expenditure will be different but the large part of the costs could probably be covered in 1982/83 and the two subsequent years in which RAN provided for INVINCIBLE payments.

PACKAGE Within this total we can provide:

a.	HERMES	£ 10m	(Scrap/book value £8m)
b.	Ship stores	£ 8m	(assumed same as INVINCIBLE)
c.	5 Sea Kings	£ 30m	(incl initial support)
d.	12 Sea Harriers	£110m	(incl initial support)
		<u>£158m</u>	(Jun 82 prices)
	Escalation for b. c. & d.	£ 50m	(10% over 3 years)
		<u>£208m</u>	

Government-to-Government contract assumed throughout, finalised by end 1982.

HERMES Ship delivery "as lying" April 1985. (But customer may require Sep 83 or early 84).

Support available as for INVINCIBLE (except Power Plant and ship desing services).

Ammunition to be bought to RAN requirements (as with INVINCIBLE).

LEASE OPTION Possible charge £800,000 per annum. Payments to count against eventual cost of ship.

SEA KINGS 5 Sea Kings available during 1984. (Current contract negotiations for 3 Sea Kings limited by budgetary constraints, aircraft maximum additional requirement believed to be 12-14.)

SEA  
HARRIERS

8 single seat aircraft to commence delivery 37 months from date of contract (end 1985) at rate of one a month.

2 - two sea aircraft available end 1986.

Total of 10 aircraft provides for one embarked squadron; one ashore.

Initial conversion training to be provided, on receipt, to match deliveries.

NB

The above is indicative only. The emphasis on ASW may lead the Australians to favour the purchase of more helicopters at this stage at the expense of Sea Harriers.



MO 14/5

Copy to:

PS/Minister(AF)  
PS/Minister(DP)  
PS/PUS  
Sec/CNS  
AUS(Sales)  
RMD3

DUS(Navy)VISIT OF AUSTRALIAN DEFENCE MINISTER

The Secretary of State was grateful for your initial brief for the visit of Mr Sinclair.

2. After inspecting a guard of honour at noon this morning, Mr Sinclair called on the Secretary of State. In a tête à tête the Ministers discussed the political background to the present visit. At 1225 they were joined by PUS, Mr Pritchett, Mr Starr (Senior Private Secretary) and PS/S of S. Discussion centred on the political difficulties which would be experienced by the Australian Government if the sale of INVINCIBLE did not proceed.

3. Mr Sinclair reviewed the history of their carrier decision. They had decided not to refit HMAS MELBOURNE, and to go for a long term one-carrier solution. They had chosen INVINCIBLE, when this option had been made possible by the British Government's defence review last year. The INVINCIBLE concept had been sold to the Australian people, not without controversy. The doubters were at present muted, but the Labour Party were committed to opposing the carrier purchase, and the Defence Sub-Committee of Parliament was currently examining the INVINCIBLE deal. It was necessary to understand that background to explain his own reaction, and that of Mr Frazer, to the suggestion in the Prime Minister's message that Australia should now contemplate the purchase of HMS HERMES.

4. Continuing, Mr Sinclair said that from his earlier discussion with the Secretary of State he could understand why the British Government wished to retain HMS INVINCIBLE, but he had come to London to explore these reasons in more detail, taking into account the programme of all four capital ships to see whether there was any other solution that might be acceptable to both sides, such as the RN retaining HERMES, or the RN releasing INVINCIBLE but at a later date.

5. In reply, the Secretary of State explained that a full presentation on HMS HERMES had been laid on for the afternoon, and he would arrange for a meeting immediately after lunch, which he would chair, with the CNS, VCNS and Controller of the Navy present at which there could be a more detailed discussion of the RN's plans for the future CVS force. S of S also stressed the British willingness to help in any way possible with the sale of HERMES to ease the undoubted political problems that Mr Sinclair would face.



6. Mr Sinclair welcomed these assurances. He emphasised that he was not seeking to withdraw from the undertaking freely given by Mr Frazer in his message to the Prime Minister, which still stood. But he wished to explore all the options first. He would be very reluctant to see Australia give up the carrier capability which for his Government represented a symbol of Australian influence in the region. S of S said that HMS INVINCIBLE had to the RN and to the country become an equally potent symbol. The controversial decision to sell the carrier could have been carried through, in the financial climate prevailing when the decision had been taken. But the Falklands experience had underlined the operational case for the CVS for out of area operations. It would not be understood by the RN or the British public if the sale went ahead and the generous offer in Mr Frazer's message had indeed provided an opportunity - publicly known - to retain the ship.
7. There was then a brief discussion before luncheon of the role of the container ships ATLANTIC CONVEYOR and ATLANTIC CAUSEWAY in the Falklands operations.
8. On return from Admiralty House at 1430, S of S chaired a discussion with CNS, PUS, VCNS, Controller of the Navy and HE Sir John Mason. Mr Sinclair was supported by his High Commissioner, Mr Pritchett, Vice Admiral Leach, Rear Admiral Rourke, Mr Moten, Mr Starr and the Australian Defence Adviser in London. Mr Sinclair reviewed the earlier discussions, and stressed his wish to look at the overall CVS position. Mr Pritchett added that it would be necessary to explain in Australia not only any action taken by the Australian Government either over HERMES or some other option, but exactly why the RN had retained INVINCIBLE - was this predominantly sentiment, or operational requirement? Vice Admiral Leach stressed his concern for the longer term. HERMES could provide only an interim solution, leaving major long term force structure problems.
9. CNS explained the operational reasons for the RN's preferred CVS force, and drew on the experience of the Falklands operation to illustrate the argument, although the operational requirement was not only an out-of-area one. CNS referred to the advantages of having 3 CVS of the same class, whereas the Australian CVS would of course be a single ship. Support for HERMES would not pose insuperable problems, and this would be explained by the experts in the presentation to follow.
10. In further discussion, S of S and CNS stressed the value to the Australians of a package based on HERMES, which would allow the procurement of helicopters and VSTOL earlier than would have been possible under the INVINCIBLE payments schedule.





11. Before leaving for the HERMES presentation, there was a brief discussion of the Type 23, and it was agreed that the Australian team would receive a presentation on the Type 23 before they returned on Tuesday.

A handwritten signature in black ink, appearing to be "D B Omand".

(D B OMAND)  
PS/S of S

8th July 1982

PUS/82/840

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NOTE FOR THE RECORDTHE AUSTRALIAN VISIT

When Mr Pritchett called on me on first arrival, he apologised for coming, but said that Mr Fraser had seen the visit as politically essential. The Australians still wanted INVINCIBLE, though he himself still continued to doubt the merits of having a single carrier. The Australian Government saw it as a means of "power projection" in South East Asia.

2. At the end of the day, Mr Sinclair and Mr Pritchett came and had a long talk. Mr Sinclair re-emphasised that they wished to have INVINCIBLE, and their need for a carrier. The centre of his argument was that there had been a long argument in Australia about the need for a carrier; it had gone through Cabinet on a relatively small majority; the need for a carrier and for it to be INVINCIBLE have been explained to the Australians at large and INVINCIBLE satisfied the Australian needs, which were for command, control and ASW. On being pressed about the role, he was a little shaky. He said it would be difficult to come to an early decision about Sea Harriers and he doubted the need for them. Moreover, the Australian Army was against Sea Harriers because they did not pack enough range or punch. They would need to look closely at the issue but it would take some time, though another purchase of Sea Kings was likely.

3. I pressed him on HERMES. He went back to the difficulty of explaining a purchase of such an old carrier and was somewhat critical of the Naval presentation he received that afternoon. He thought the package that had been put forward was a very expensive one indeed and he was not convinced that it was necessary for Australia. I asked what would be done to fill the gap, as they had already laid up HMAS MELBOURNE. He said they would have to re-commission MELBOURNE. I asked the cost and it was thought it would be £30M or more.

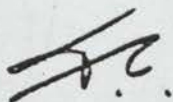
4. Mr Sinclair then wondered whether it might not be possible to come to a final view about INVINCIBLE, say, at the beginning of 1984. The Australians could then say that the deal was still on and we could still talk about HERMES in this country. I expressed the strongest doubts. I then put it to him that the heart of his problem was a question of time and cost. He agreed.

5. He said it was not possible to take any decision here and that he would have to go back and discuss the whole matter with his colleagues.

6. He went on to express great interest in the Type 23 and wondered whether this, together with some separate arrangements for command and control, might not be a possible way forward. The

Type 23 with the SKR sounded very attractive for Australian needs and it would be just the kind of ship that could be built in Australian shipyards.

7. We then returned to the question of HERMES as a possible gap filler and wondered whether one possible solution might be some kind of leasing arrangement, perhaps with some option to buy in certain circumstances at a certain date. It was suggested that this might be politically less difficult for the Australians, though I suspect they would want to present it in such a way as apparently to keep the INVINCIBLE option open at a later date. It was generally clear that the issues were for the most part political, but that time and cost played a major role in all possibilities.



FRANK COOPER  
9 July 1982

Distribution:

Internal:

Secretary of State  
Minister(AF)  
Minister(DP)  
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DUS(N) ✓  
DG Marketing  
RMD 3  
Head of DS1  
Head of DS5

External:

Sir Robert Armstrong, Cabinet Office  
Sir Antony Acland, FCO

SINCLAIR, THE RT HON IAN McCANON, MP

Minister for Defence since May 1982.

Born Sydney 1929. Read Law at Sydney University. Barrister since 1952. A grazier and Director of grazing companies and co-operatives.

Country Party Member for New England since 1963. Deputy Leader of the Country Party since 1971. Was junior Minister in several different Ministries (Social Services, Trade and Industry, Shipping and Transport, Primary Industry) 1965-72. In Opposition, 1972-5, he covered Primary Industry matters. Cabinet Minister since 1975 (and Leader of the House until May 1982), except for short period 1979-80. Portfolios Agriculture, Northern Australia, then Primary Industry, then Communications (1980-2). Privy Councillor 1977.

His charm hides firmness and determination. Normally restrained and balanced in his judgement and usually courteous face to face, he tends to court publicity. In August 1977 he blamed Australia's industrial and economic troubles on the "British disease" and "Pommie" shop stewards. Tough and shrewd, if accident-prone.

Resigned 1979 following publication of the Finnane Report, which said he was the ultimate beneficiary of nearly \$600,000 company funds fraudulently misappropriated by his father. The Report (commissioned by the Labor Government of NSW and therefore open to charges of political bias) also said there was evidence of forgery, unauthorised loans and deception attributable directly to Sinclair. Sinclair was acquitted of charges based on the findings of the Report in August 1980 and returned to office.

Married 1970 Rosemary Fenton (a former "Miss Australia"); 1 son; also 1 son and 2 daughters by his first wife, who died in 1967.

Recreations: squash, swimming.