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RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE
AUSTRALIAN DEFENCE MINISTER AT 1750 ON MONDAY, 12 JULY, 1982
AT No. 10 DOWNING STREET

PRESENT

Prime Minister
Mr. John Coles

Mr. Ian Sinclair
Mr. Pritchett
His Excellency Sir Victor Garland

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Mr. Sinclair said that he wished to convey to the Prime Minister Mr. Fraser's warm regards. There was great respect in Australia for our amazing success in the Falkland Islands. The Prime Minister said that Mr. Fraser's support had been of the most forthright kind. Now that hostilities appeared to be over, we should have to spend a good deal on the defence of the Islands. Mr. Sinclair suggested that it would be both expensive and difficult to devise a stable future for the people of the Falklands.

Turning to the question of the Australian requirement for an aircraft carrier, Mr. Sinclair said that he had had good talks with the Secretary of State for Defence. Mr. Fraser had offered to release us from our earlier commitment to sell HMS INVINCIBLE to Australia and the Australian Government did not now wish to withdraw the offer. But they had taken certain decisions on the assumption that the contract regarding HMS INVINCIBLE would be implemented and these now had to be looked at again. Despite the earlier opposition, the need for a carrier was now generally accepted in Australia. The idea that HERMES might be a substitute for INVINCIBLE caused difficulty. It would meet Australian needs for only 10 years. The Government would still have to take a decision about the 1990s. Mr. Nott had explained that the United Kingdom needed two operational carriers. The Prime Minister confirmed this, adding that this meant that we required three carriers in all.

Mr. Sinclair said that he particularly wanted to ask the Prime Minister what our requirement for carriers might be in the more distant future, for example when the Falklands situation had eased. The Prime Minister said that British public opinion would

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CONFIDENTIAL

CONFIDENTIAL

- 2 -

not now accept the sale of INVINCIBLE. It would insist that we had a two carrier capability at any time. In view of Mr. Fraser's generous offer, public opinion would also insist that our third carrier was of the same class as ILLUSTRIOUS and ARK ROYAL. In considering the future, we had to bear in mind not just the Falkland Islands but the possibility of instability in the Gulf, possible threats to Gibraltar and Hong Kong and, perhaps also, instability in the Caribbean. The need for out-of-area operations was likely to be present for some time.

Mr. Sinclair said that Australia had made a similar appreciation of its own needs. Situations could arise in its own region where it could not depend on help from others. But he needed to know whether, if Australia now ordered a carrier from the United Kingdom, there was any risk of us saying in two to three years' time that we did not need INVINCIBLE.

The Prime Minister said that it was difficult to foresee all possible circumstances. But for at least 10 years from now there would probably be a danger of localised wars escalating. Maritime nations like the United Kingdom and Australia needed aircraft carriers against that possibility.

Mr. Sinclair asked whether we could not keep HERMES as our third carrier. The Prime Minister replied that this would not make sense in terms of training, equipment and inter-operability. She added that the name "INVINCIBLE" had now been involved in two battles of the Falklands - there was an emotional attachment to it.

Mr. Sinclair said that he would now have to return to Australia and make his recommendations. The need for a carrier was not doubted. One option was to order a carrier of the INVINCIBLE class. He was concerned that Australia should not buy a carrier with too short a life ahead of it. The Prime Minister enquired whether leasing had been considered. Or whether there was any prospect of re-fitting "MELBOURNE". Mr. Sinclair said that the latter option would be expensive and would not measure up to the need to take a decision for the next generation, a decision which should also involve consideration of the purchase of sea harriers, etc. He

CONFIDENTIAL/repeated that

CONFIDENTIAL

- 3 -

repeated that Australia did not want to go back on Mr. Fraser's offer but had hoped that there might be "light at the end of the tunnel". The Prime Minister stated that, speaking frankly, she did not think there was any prospect of INVINCIBLE being available. Nor did she believe that in the foreseeable future we should decide to dispense with the third carrier.

The conversation ended at 1820 hours.

A-J.C.

13 July 1982

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