

CONFIDENTIAL

TWP



file

10 DOWNING STREET

From the Private Secretary

1 August 1983

Dear Richard,

ROYAL NAVAL FUEL STOCKS IN SOUTH AFRICA

The Prime Minister has seen your Secretary of State's minute of 26 July about Royal Naval fuel stocks in South Africa. Mrs. Thatcher has agreed that your Secretary of State should dispose of these stocks as quickly as possible through local sale.

I am copying this to the Private Secretaries to Members of OD and to Richard Hatfield (Cabinet Office).

Yours ever
TFL

TIMOTHY FLESHER

Richard Mottram, Esq.,
Ministry of Defence.

CONFIDENTIAL

TWP



Prime Minister

Agree that the Navy should
sell off its South African fuel
stocks?

MO 6/1

PRIME MINISTERYes *ms*LM
29/7ROYAL NAVAL FUEL STOCKS IN SOUTH AFRICA

Although it is now eight years since the termination of the Simonstown agreement, a quantity of fuel oil has been maintained, both at Simonstown itself and Ysterplaat, as a contingency reserve against an operational emergency in the area. The storage facilities at Simonstown are leased from the South African Navy under an arrangement formalised in December 1979, although there have been fuel stocks there since well before the Second World War. Those at Ysterplaat are managed on the Royal Navy's behalf by Shell (South Africa) who lease the tankage from the South African Railways and Harbour Board (SARHB) on terms negotiated in 1937. In total, the fuel holdings are worth around £2.5M.

2. My officials have recently reviewed the need to retain these stocks. Because our policy, like that of our predecessors, is to have no defence relations with South Africa, no warship has visited South Africa since 1975, although a Royal Fleet Auxiliary took the opportunity to call in to pick up fuel (and so help reduce the stocks) in 1979. No use was thus made of the South African holdings during last year's Falklands operation: not only would this have been inconsistent with our policy on defence relations but it could also have jeopardised the valuable assistance being provided by Sierra Leone and Senegal; and there must also be some doubt whether the South Africans themselves would have agreed.

3. As for future emergencies, it would always be open to South Africa to refuse to admit RN vessels if she felt this to be in her interests;



and if, in time of tension or in the event of hostilities between NATO and the Warsaw Pact, she were to throw in her lot with the West, any RN ships that might be operating in the area should have no difficulty in bunkering from local commercial sources. There is therefore little operational case for retaining the present fuel holdings.

4. The case for relinquishing them has been strengthened by the recent news that the facilities at Ysterplaat are in a poor material state and that it will cost over £2M to put them into proper working order. The SARHB lease expires in 1987, with scant prospect of renewal, and the SARHB has recently notified an increase in the rental. All of this points to terminating the agreement with Shell and disposing of the Ysterplaat holdings as soon as possible, thereby saving ourselves the annual rental and management fee. It would make sense to dispose of the stocks at Simonstown at the same time.

5. Rather than go to the expense of sending tankers out specially to pick up the remaining stocks, it is proposed to sell off the fuel locally. That at Ysterplaat would be sold commercially by Shell (South Africa) on the RN's behalf. The fuel at Simonstown would, under the terms of the lease, have to be sold to the South African Navy. This latter arrangement may not be ideal but there is no reason why the South African Government should seek to create political embarrassment for us.

6. The decision could, however, leak through Shell, or any other commercial company involved in the sale of the Ysterplaat stocks. This could draw public and Parliamentary attention to this facility, the existence of which, although not kept secret as a matter of policy, is not widely known. (The last Parliamentary statement on the subject was by Fred Mulley as Defence Secretary in March 1979. / The Hansard extract is attached.) Should this happen, it could be



pointed out that these facilities existed under the last Labour Government and that they date from before the last war. The reason for the sale would not be difficult to explain.

7. I therefore propose that we should dispose of the residual naval fuel stocks in South Africa as quickly as possible, given the slight operational case for their retention and in particular the political inhibitions on making us of them, and the financial arguments for ending the present arrangements. I also believe it sensible to dispose of the stocks through local sale; I do not envisage this giving rise to significant political embarrassment.

8. I should be grateful for your agreement to this course of action.

9. I am copying this minute to members of OD and to Sir Robert Armstrong.

Ministry of Defence
26th July 1983