

MoD intervened in weapons firm that sold to Iran: The Army and the ministry were aware of an illegal plan to supply mortar rockets. Tim Kelsey reports

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THE Ministry of Defence intervened directly in the business of the company at the centre of a secret network supplying weapons to Iran, in contravention of British embargoes. The Army's Logistics Executive, responsible for military transport, was also aware of a plan for an illicit shipment of mortar rockets.

In 1987, Allivane was contracted by the Saudi Arabian Ministry of Defence and Aviation to supply parts for 155mm long-range artillery ammunition. This was part of the Yamamah deal worth pounds 20bn which was concluded by Margaret Thatcher in 1985. Allivane was simultaneously involved in the supply of parts for 155mm ammunition to Iran through an international organisation of companies, as the Independent disclosed last week. ICI and British Steel have admitted that they supplied the company but say they did not know the parts were destined for Iran, while Royal Ordnance has denied supplying Allivane. Senior officials at the Ministry of Defence were briefed monthly on the progress of this contract by Allivane executives at Whitehall.

Documents in the possession of the Independent, and interviews with sources close to the company, reveal that in 1988, while these briefings were taking place, the company ran out of money and the MoD, on the instructions of Lord Younger of Prestwick, then Secretary of State for Defence, took over management of the Saudi contract, ensuring that the parts were shipped on the date the Saudis had set. Lord Younger said he could not remember ordering the intervention but that it was 'probably true'. He said he had no knowledge of MoD briefings with Allivane.

The MoD's direct involvement in the shipment to Saudi Arabia was unusual. It did so through the Logistic Executive of the Army, based at Andover, which organised the transport of explosives and other parts from Scotland to the port at Ridham near Sheerness. A private Glaswegian haulage contractor, Frank Machon, was already involved in transporting some of the parts. He was asked by Logistics to assist in taking the components to the docks. The MoD promised him that it would pay him if Allivane could not. Most of the parts were, however, transported to Ridham under direct Logistics supervision aboard BR trains from their place of storage, an army depot in Carlisle.

The Saudi shipment was a legal contract, but it was also being used as a cover for an illegal consignment of arms. The boat, the Danish-registered Finnith, was due to leave Ridham docks on 23 June 1988 for Santander in Spain, where it was to pick up other parts for Saudi Arabia.

It was supposed to be carrying just two items from the UK: propellant explosives and artillery fuses. But, according to documents, the boat was also scheduled to carry 967kg (2132lb) of fully made up 155mm ammunition, and 288 tons of other ammunition. The Independent has been told this was 50,000 rounds of 81mm mortar rockets. It is

understood they were British-made but not by Allivane. Sources have said they were destined for Iran. Neither of these exports was apparently authorised by the Department of Trade and Industry, nor were they declared on shipping paperwork. Army Logistics, however, had prior knowledge of the additional consignment. In the event, this cargo was apparently not loaded on to the Finnlith at Ridham. It is not clear whether the weapons were loaded at Santander.

By the time the Finnlith sailed, Allivane had collapsed. Mr Machon was left with a debt of pounds 68,000, most of which was incurred on MoD instructions. It asked him to keep its involvement confidential, but has refused to pay him. In April 1989, Allivane, later known as Aerotechnologies, went into receivership. After lengthy litigation, Mr Machon won a court payment order against the company but by then Allivane was being wound up and had no assets.

Mr Machon became suspicious of Allivane's illegal export activities after the discovery of the additional cargo for the Finnlith. Company executives confided to him that the company was involved in shipping to Iran. He reported these concerns to Strathclyde Police, and later to Customs and Excise, but no prosecutions resulted. Customs officers visited Mr Machon in 1988 and in November 1989, alleging that he was trying 'to bring the Government down'. They did not, apparently, take their inquiry any further. In 1988, Mr Machon alerted the Department of Trade and Industry to his concerns, but officials told him not to contact them again. The Independent revealed last week that the DTI had been issuing fictitious export licences to the company for products it did not make, to countries that would not need the ammunition.

Mr Machon also contacted the MoD. Last month, Jonathan Aitken, Minister of Defence Procurement, wrote to him: 'All legal aspects have already been exhaustively considered.' Mr Aitken had told the House of Commons earlier that his department had 'no record' of any involvement with Mr Machon. The Independent has MoD documents that refer to Mr Machon.

In desperation, Mr Machon wrote to John Major. The Prime Minister's foreign affairs private secretary responded to a second letter asking for a meeting, saying that Mr Major had no time to see him. The strain of the legal actions and of the refusal of the MoD to pay the bill has not only jeopardised his business, but has also affected the health of Mr Machon and his wife, Marion. She said last week: 'The one thing that really makes me angry is that we pay all these taxes, and then no one does their job properly. We love this country. It was not our fault we became involved in this nightmare. All we want is justice.'

Unknown to Mr Machon, the British authorities were not only acquainted with Allivane, they were also involved with a subsidiary company, the AMAC corporation, which made an anti-riot armoured personnel carrier equipped with water cannon and trailing electric rods that could deliver lethal shocks. In 1984, the British Embassy in Washington assisted in the marketing of the vehicle to the Special Operations Group, a part of the US security services. Also that year, AMAC negotiated the export of 40 of the vehicles to the Chilean security police, in defiance of an embargo on weapons exports to the Pinochet regime. The Export Credit Guarantee Department agreed to act as third-party guarantor on the contract, but said last week that the deal was never completed.