

3. Proposed disposition of the Italian Fleet.

(a) All battleships will be placed on a care and maintenance basis in ports to be designated and will have such measures of disarmament applied as may be directed. These measures of disarmament will be such that the ships can be brought into operation again if it so seems desirable. Each ship will have on board a proportion of Italian Naval personnel to keep the ships in proper condition and the Commander-in-Chief, Mediterranean, will have the right of inspection at any time.

(b) *Cruisers*.—Such cruisers as can be of immediate assistance will be kept in commission. At present it is visualised that one squadron of four cruisers will suffice and the remainder will be kept in care and maintenance as for the battleships but at a rather greater degree of readiness to be brought into service if required.

(c) *Destroyers and Torpedo Boats*.—It is proposed to keep these in commission and to use them on escort and similar duties as may be requisite. It is proposed that they should be divided into escort groups working as units and that they should be based on Italian ports.

(d) *Small Craft*.—MAS, minesweepers, auxiliaries and similar small craft will be employed to the full, detailed arrangements being made with the Flag Officer (Liaison) by the Italian Ministry of Marine for their best employment.

(e) *Submarines*.—In the first instance submarines will be immobilized in ports to be designated and at a later date these may be brought into service as may be required to assist the Allied effort.

4. Status of Italian Navy. Under this modification of the Armistice Terms, all the Italian ships will continue to fly their Flag. A large proportion of the Italian Navy will thus remain in active commission operating their own ships and fighting alongside the Forces of the United Nations against the Axis Powers.

The requisite liaison officers will be supplied to facilitate the working of the Italian ships in co-operation with Allied Forces.

A small Italian Liaison mission will be attached to the Headquarters of the Commander-in-Chief, Mediterranean, to deal with matters affecting the Italian Fleet.

5. Mercantile Marine. It is the intention that the Italian Mercantile Marine should operate under the same conditions as the Merchant ships of the Allied Nations. That is to say, all mercantile shipping of the United Nations is formed into a pool which is employed as may be considered necessary for the benefit of all the United Nations. In this will naturally be included the requirements for the supply and maintenance of Italy. The system will be analogous to that used in North Africa, where the North Africa Shipping Board controls all United States, British, and French shipping under certain agreements which will have to be arranged in detail in so far as Italian ships are concerned. While it may be expected that a proportion of Italian ships will be working within the Mediterranean and to and from Italian ports, it must be appreciated that this will not always necessarily be the case and ships flying the Italian Flag may be expected to be used elsewhere as is done with the merchant ships of all the United Nations. Italian ships employed as outlined in this paragraph will be manned by crews provided by the Italian Ministry of Marine and will fly the Italian Flag.