

Salvage of the Century, HMS Edinburgh and Her Cargo of Gold

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© IWM (A 6160) Aerial view of HMS EDINBURGH, 'Southampton' class (third group) cruiser in Scapa Flow, October 1941

News of the record-breaking salvage recovery of silver bars aboard SS Gairsoppa, sunk off the Irish coast in 1941, brought to mind the 1981 salvage operation of HMS Edinburgh. Dr Michele Blagg has delved into various historical archives to bring the fascinating story of HMS Edinburgh to life.

Sunk by a German U-boat in 1942, HMS *Edinburgh*, together with 58 of her crew and 465 gold bars intended as payment from Russia to America for war equipment, lay undetected 200 miles off Murmansk, 800 feet below the surface of the Barents Sea. Her precious cargo, which was stowed in the bomb room, had an estimated value at the time of £1.5 million (£142 million today). In 1981, when a salvage consortium successfully located the wreck, 431 of the bars, with a value of £45 million, were recovered. Hailed by the press as the 'salvage of the century', over time, this sensational story faded from popular memory, only to be revived recently following a visit by Her Majesty the Queen and Prince Philip, Duke of Edinburgh, to the Bank of England. The Royal guests were shown a collection of special-interest gold bars, one of which was a bar recovered from HMS *Edinburgh* (*Alchemist*, 70).

My own fascination with this extraordinary story of the *Edinburgh* began with a chance encounter with a retired gold dealer who had acted on behalf of the successful salvage consortium in disposing of its share of the gold. Keith Jessop, director of Jessop Marine Recoveries Ltd. (JMR), through his meticulous research and sheer determination was the driving force behind the recovery operation. JMR was a small operation and unable to raise the necessary capital to undertake such a risky venture. However, it recognised that its best chance of winning the contract was to

put together a consortium of specialist firms from the salvage and diving industry. JMR was joined by the successful British diving company, Wharton & Williams, known as 2W for short. With no diving vessels of its own, 2W approached Offshore Services Association (OSA), a German company with a fleet of around 100 vessels, which came on board as a subcontractor. The final member was Racal-Decca, an experienced marine survey company. Each member of the consortium had its own specialist area of expertise. In bringing their skills together, the consortium was able to utilise the embryonic techniques pioneered in the exploration for North Sea Oil. The technological advances increased marine survey and diving capabilities and therefore the chance of recovery, allowing the salvors to attempt a very risky operation. From the outset, the consortium bore all the financial risks. There was no guarantee that the wreck could be located, or that the precious cargo would be intact or even still aboard. And then there was the question of whether the unfathomable depths would be safe for divers to explore.¹

Stalin's Gold

The ownership of the gold was never in dispute. The cargo of gold aboard the *Edinburgh* was covered under the 1942 War Risks Insurance contract signed by the wartime Soviet Trade Delegation to London. The Russian share was £0.5 million. In addition, a further £0.5 million

in insurance was taken out in the event that the vessel was lost at sea. The British Department of Trade's exposure also stood at £0.5 million. The bullion cargo, part of a deal between the Russian government and the United States Treasury, was a down payment on thousands of tons of war equipment. On 28 April 1942, the *Edinburgh* began her journey westwards from Murmansk to the United States through 2,000 miles of Arctic Ocean, along a notorious route commonly referred to as the 'Gateway to Hell'.² Her departure did not go unnoticed. After only a day at sea, enemy reconnaissance planes detected her, and German U-boats and destroyers were dispatched to launch an attack. She was crippled soon after being torpedoed twice by U456, which wrecked her steering equipment (see figure 1 below). Placed under tow, the *Edinburgh* made slow progress as she attempted to make a safe return to port. On 1 May, she came under further attack, and this time the signal to 'abandon ship' was given and minesweepers went alongside her to save the wounded passengers and crew. Lines were let down and she was sunk by her own support vessels once it became clear that towing her was no longer possible in prevailing weather conditions.³

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Figure 1: A photograph clearly showing the severe damage to the stern of HMS EDINBURGH caused by a German torpedo whilst travelling with convoy QP11. The damage was so great that HMS EDINBURGH had to be sunk by a torpedo of the British destroyer HMS FORESIGHT.

1 Keith Jessop, *Goldfinder, The True Story of One Man's Discovery of the Ocean's Richest Secrets* (London, Simon & Schuster, 1998), p.333.

2 Frank Pearce, *Last Call for HMS Edinburgh, a Story of the Russian Convoys* (London, Pan Books), p.54-5.

3 The National Archives, Kew (hereafter TNA), ADM 358/3246, Official Admiralty No.656., 7 May 1942.

In 1954, Lord Jellicoe of Jutland, during his time at the Foreign Office's Northern department, was in charge of the Soviet Desk. Despite the added complication of post-1945 international relations, Jellicoe approached the Soviet Union via its Ambassador to London, Mr Ippolitov, with a view to initiating a joint salvage operation for the *Edinburgh* cargo. Having made several written attempts to make contact, Jellicoe finally spoke directly to Ippolitov. His notes reveal some of the frustrations he felt at the apparent lack of Soviet interest in launching a recovery, recalling that

"it was now high time that we dealt with this purely practical sort of question in a normal businesslike manner. Ippolitov looked a little shamefaced and said that he thought we would very shortly be receiving a definitive reply from the Soviet Government".⁴

In fact, it was over a year before the matter was to be formally discussed during a visit to London in December 1955 by the Soviet delegates from the Ministry of Foreign Affairs.⁵

In the interim period, the British government had already considered its own position in launching a salvage operation. Various departments were approached and feedback recorded. The Admiralty, for its part, had no objection to a contract being awarded to a salvor to operate on the wreck, provided that steps were taken to ensure that any safes, Admiralty documents or other valuables recovered were handed over to it. The Treasury expressed some concerns and it was noted that *"it should naturally prefer that the gold be landed in the UK, with only a cash remuneration being offered to the Russians, but if they insist on other alternatives we are not in a position to object".*

The Department of Trade, which stood to gain the most from a successful salvage operation (receiving as a windfall a third share of the gold), was keen that a contract be issued and the salvage operation go ahead.⁶ In 1954, the first contract was awarded to Risdén Breazley, a British salvage firm. Strained political relations, inadequate salvage capabilities and a strong suspicion by the British government that the gold may already have been recovered by the Soviet Union led to the project being placed on hold. In 1957, in an attempt to protect the sunken cargo from being plundered, the wreck was designated a British war grave.

In the mid-1970s, triggered by a sharp rise in the price of gold, interest in salvaging the *Edinburgh*'s cargo resurfaced⁷ as fears grew that the gold could be subject to looting. Risdén Breazley had made little progress in locating the wreck and the Salvage Association, acting on the instructions of the Ministry of Defence, (MOD) put the contract out to tender. This time,

the contract was awarded to the consortium headed by Jessop. It was based on the standard 'no cure, no gain' rule and a cut of 45% of the value of any gold recovered. The consortium's method of approach for the recovery of the gold was a favourable feature in them being awarded the contract. Rather than the traditional 'blast and grab' using explosives, a method proposed by its competitors, Jessop's consortium opted to use the newer underwater precision cutting technique.⁸

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As media reports about the hunt for the *Edinburgh* appeared, mounting opposition came from many of the ship's survivors and the families of those who had been killed, who were appalled that the war grave may be disturbed. The Kendal branch of the Royal Navy Association motioned that pressure be brought to prevent the "deliberate desecration of HMS *Edinburgh* by salvaging her cargo".⁹ The MOD released a statement addressing these concerns, observing that:

"we want to ensure that the sanctity of the ship as a war grave is properly considered in any salvage operations... we are usually against diving operations in circumstances of this kind. But in the case of any wreck containing a valuable cargo it is better to allow an operation while imposing strict safeguards".¹⁰

The consortium felt that the best way to head off any further opposition was to begin the salvage operation as soon as possible.

Salvage of the Century

Keith Jessop had undertaken years of meticulous research about the *Edinburgh*. From Admiralty records, survivor accounts and reports from local fishing vessels whose nets had snagged on underwater obstructions, a search area was identified. In April 1981, once Russian agreement was secured, a survey expedition set sail to the Barents Sea. On 14 May, with the assistance of echo sounders and powerful sonar equipment, contact with a wreck was made. A Remotely Operated Vehicle (ROV) was sent down for a closer inspection. After completing a full reconnaissance survey, there was no doubt the wreck was indeed that

of the *Edinburgh*. She was lying on her port side in a remarkably good condition. An exact fix on the location was made using state-of-the-art navigation and position-fixing equipment by Decca, which had installed two Hi-Fix masts on the northern coast of Norway.

Back in London, HMS *Belfast*, the sister ship to the *Edinburgh*, proved a valuable resource (HMS *Belfast* is now a permanent exhibition operated by the Imperial War Museum, located on the south side of the Thames near to the Tower of London). The project manager engaged by the consortium, John Clark, exRN, gained special access to plans for the layout of the ship, and together with detailed drawings of the bomb room and racks where the gold had been stowed, created a scale model of the ship to help familiarise the divers with the layout of the wreck.

At the end of August 1981, a specialist diving vessel, the *Stephantium*, set sail for the wreck site. Onboard were Jessop, a crew of 25 saturation divers and support personnel, and the media team together with two Russian officials and one representative from the MOD. Due to the fact that they were operating at depths of 800 feet, the divers had to be kept under constant compression, confined to a steel chamber with no physical contact with the outside world. A two-man team worked around the clock from a diving bell attached to an umbilical cable that supplied breathing gases and hot water that heated their diving suits as they worked. A revolutionary gas-reclaim system designed to save up to 90% of the gas used was instituted. This meant that the *Stephantium* could stay on location longer without having to make the long journey to shore to replenish its gas supplies. The vessel was held in position over the wreck by means of a computer-controlled dynamic positioning system that protected the divers from being dragged along the seafloor as they worked.¹¹



Figure 2: One of the few remaining gold bars recovered from HMS *Edinburgh*, reproduced with kind permission of HSBC

4 TNA, FO 371/111/740, Department of Trade to Foreign Office, Northern Desk, 12 Mar 1954.

5 TNA, FO 371/116/756, Jellicoe to Ministry of Transport & Civil Aviation, 29 Dec 1955.

6 TNA, FO 371/111/740, Foreign Office notes, 29 Mar 1954.

7 In 1979, the price of gold opened in January at \$226 an ounce and closed in December at \$512. In January 1980, gold hit a record high of \$850. The causes for the increased

price included rising inflation, Opec-led spikes in oil prices and strained political conditions, the storming of the US Embassy in Tehran and the Soviet Union increasing its military strength near the Afghanistan border with Iran.

8 TNA, J 67/960/2, Central Criminal Court Case File, John Austen Jackson and Keith Jessop, Witness statement Simon John Butt, 5 Aug 1982.

9 Jessop, *Goldfinder*, p.332.

10 Imperial War Museum (hereafter IWM), Exhibition file HMS *Belfast*, Naval Law and Conditions Division, Ministry of Defence to IWM Trustees, 24 Dec 1981.

11 Ric Wharton, *The Salvage of the Century* (US, Best Publishing Co., 2000), pp.110-2.

The divers were unable to enter the wreck through the torpedo hole, as it was found to be blocked by wreckage and ammunition, so an access hole was cut through the four-inch armour plated hull. It took a week of arduous

at the Bank, along with several other bars of special historical interest. The remaining bars were sent in batches to the Royal Mint, where they were melted to produce gold sovereign coins.¹³

To add to the dismay of the consortium, Keith Jessop and an employee of The Salvage Association became the subjects of a police enquiry. Both stood trial accused of conspiring to defraud the unsuccessful bidders for the *Edinburgh* salvage contract but were acquitted of all charges. Nevertheless, the whole affair had tarnished the reputation of Jessop Marine and its ability to function until Keith cleared his name. Until his dying day, he believed that he was a victim of a conspiracy.¹⁶



Figure 3: On a visit to the Bank of England gold vaults in December 2012, the Queen and the Duke of Edinburgh inspect a selection of gold bars of special historical interest. The collection includes one of the bars recovered from HMS *Edinburgh*.

work to clear a way through the fuel tank area to the bomb room. On 16 September, cries went up that the gold had been found. The first bar, KP 0620, later renumbered P90014, was sent up to the surface. At the start of October, the weather closed in and operations were suspended. The divers had successfully recovered 431 of the 465 gold bars. Before departing from the site, a service of remembrance was held in honour of the men killed in 1942. The gold haul then had to be shared out between the relevant parties. The bars were loaded onto the *Stephantium*. In Murmansk, the Russian share of 158 bars was offloaded and placed into a waiting railway carriage. The remaining 272 bars were transported to Peterhead and divided on the following basis: 111 to the Department of Trade and 161 to the consortium. They were then transported by road to the Bank of England.¹²

On arrival at the Bank's vault, the condition of the bars was inspected and they were weighed and all the details recorded. Questions had already been raised over the 'good delivery' status of the bars, as they had been produced at various Moscow state refineries between 1937 and 1942 that had not appeared on any good delivery list. In the absence of assay certificates, a sale in the London gold market could have proved difficult, if not costly. A charge of 60 pence per ounce of gold was quoted to make the bars 'good delivery'. So as not to attract unseemly commercial gain from the operation, it was suggested at the Bank of England that the bars be exchanged for acceptable bars. The consortium agreed and besides keeping a few of the bars as a 'family heirloom' (at a value £95,000 per bar), it exchanged its share for good delivery bars. Two of the *Edinburgh* bars were purchased on behalf of the EEA and form part of the reserves, and from time to time they are included in displays

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The salvors bars were subdivided between JMR, 2W, Decca and OSA. The consortium had appointed bullion dealers at NM Rothschild & Sons to act on its behalf in the sale of the gold. The appointment ensured that the consortium was able to take advantage of postponed accounting on the 15 percent VAT due immediately the gold was landed in the UK. VAT had been an unexpected expense, for under the original contract the bulk of the consortium's share was to be paid in sterling. However, the Russians were so short of hard currency that the consortium was forced to take its share in gold. While it accepted that it would have to pay tax on any money earned from the salvage, at no point had a VAT liability been mentioned until after the salvage was underway.¹⁴ Had the consortium realised this earlier, it would have sold its share of the gold abroad. It later rankled that an outstanding interest payment due to the consortium was withheld by the Department of Trade. The matter dragged on for a number of years and eventually the consortium was forced to forfeit the outstanding amount due, as it had signed away any rights to the balance when it was awarded a new contract for a second successful dive on the wreck to retrieve the remaining 34 bars. Wharton reflected on his treatment and the behaviour of the British government, the Inland Revenue, Customs and Excise, and members of the civil service as "petty and dishonest".¹⁵

In conclusion, the choice before the MOD was whether to leave the war grave unprotected to the depredations of would-be salvors, or to forestall them by permitting recovery of the gold under controlled conditions. In the interest of the war grave, there could only be one answer – a controlled salvage. Operating at the limits of technology at the time, the consortium headed by Jessop took advantage of new diving techniques and equipment to ensure a successful recovery of the gold. In the planning, preparation and execution of the operation, considerable care was given by all concerned to preserve the war grave status of the wreck, though there were lessons to be learnt. Perhaps the greatest lesson that came from the salvage of the *Edinburgh* was that advances in diving technology had put a great many wrecks within the reach of the modern diver. As for the *Edinburgh*, the second dive under controlled conditions recovered 29 of the remaining 34 bars, thus ensuring this war grave may forevermore rest in peace.



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12 Ibid.

13 The Bank of England Archive (hereafter BEA), FE6/6/2 Vol.1, Bullion Department to Department of Trade, 21 Oct 1981. Also notes regarding telephone conversation with Bullion Office NM Rothschild & Sons.

14 Jessop, *Goldfinder*, p. 320.

15 Wharton, *Salvage of the Century*, p.163.

16 *The Times*, Obituary Keith Jessop (1933-2010), 29 May 2010.