Dear Julian,

Thank you for your letter of 12 December 2018 in response to my letter about UK sovereign capabilities.

The National Shipbuilding Strategy (NSbS) recognises the need to retain the sovereign capability to design, build and integrate frigates, destroyers and aircraft carriers. The NSbS gave the clearest statement in a decade of our policy on shipbuilding and set a requirement for frigates, destroyers and aircraft carriers to be built in the UK. The NSbS gives clarity to UK shipbuilders and will help sustain shipbuilding skills, training and the supply chain, allowing industry to meet the requirement for sovereign capability in these areas. The introduction of UK competition for these ships opens up opportunities for shipyards and suppliers across the UK to participate in the naval shipbuilding enterprise.

In your letter, you state that the National Shipbuilding Strategy (NSbS) "clearly does not mandate" the consideration of global suppliers when there is not a national security consideration. This is not correct. Referring to ships other than frigates, destroyers and aircraft carriers, paragraph 92.2 of the NSbS states: 'All other naval ships should be subject to open competition (provided that there are no compelling national security reasons to constrain a particular procurement to national providers).'

EU Public Procurement rules require public procurement to demonstrate value for money, which is achieved through competition unless there are compelling reasons to the contrary. These rules are designed to prevent ‘national buy’ policies and are underpinned by the legal principles of transparency, non-discrimination and equality of treatment for all suppliers in EU member States. As the procurement of naval ships other than warships is conducted under EU procurement rules, we are not permitted to consider the geographic location of suppliers as this would be discriminatory.

The strategy aims to support UK industry in becoming more competitive. We want to see an industry that is viable and sustainable for the long-term and able to compete internationally whether in design, build or support. Even in the case of an international build having been selected after competition, there will still be a significant UK

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component. This may be in the competition for outfitting of the ship with UK-sensitive equipment post-delivery, or in the opportunity for the UK supply chain to compete as part of the core design. Opportunities for UK industry also exist in through-life support contracts.

We continue to encourage and welcome UK suppliers to engage in both UK-only and open international competitions.

yours

[Signature]

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12 December 2018
Yr ref: MSU/4/8/1/1/is

Dear Stuart,

I am writing in response to your letter of 28 November about UK sovereign capabilities, sent to the Rt Hon. John Spellar MP and other Members who had taken part in the Westminster Hall debate on 20 November.

You rightly identify the requirement to retain the ability to design, build and integrate frigates, destroyers and aircraft carriers. You go on to say that the National Shipbuilding Strategy’s ‘definition [of a warship] allows the MoD to consider global suppliers when there is not a national security justification’. But it clearly does not mandate such a course of action.

Yet this now seems to be the MoD default position—even dogma—but does not appear to take into account the desirability of retaining a substantial shipyard skill base, training programme and indeed a vibrant components sector. I would add that if we look at the geographical location of the yards and their suppliers, it is clear that MoD policy does not give proper consideration to the local value provided, or indeed the contribution to regional balance.

I should be grateful for your response to these points.

Yours sincerely,

Julian