



BRIEFING PAPER

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Naval shipbuilding: September 2019 update

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This short note looks at the latest developments of the Government's shipbuilding strategy for new ships for the Royal Navy and Royal Fleet Auxiliary. The competition to build a new class of frigates has been narrowed to one preferred bidder while the Government will likely decide in 2020 whether new support ships will be built in the UK or overseas. There are many who argue the latter should be built in the UK. Two shipbuilders have gone into administration this year and another has closed one of its yards. The Commons Library has published several briefing papers in recent years examining surface ship procurement (see box 1). This paper briefly updates progress on these programmes.

The Shipbuilding Strategy

The Government published a [National Shipbuilding Strategy](#) in September 2017. It was based on the recommendations of Sir John Parker, who's independent report suggested a 'sea change' was needed in how the Ministry of Defence (MOD) acquires surface ships. Significantly, he pointed to a 'renaissance' in UK shipbuilding and urged the Government to harness UK regional shipyards for the new Type 31e frigates.

The Strategy completely overhauled the way the MOD procured surface ships. No longer would BAE Systems be the default main supplier. Rather, surface ship design and build would be opened to competition. Restrictions apply: warships (aircraft carriers, frigates and destroyers) will be built via competition between UK yards; all other vessels will be subject to open (international) competition. The Strategy set out plans to energise the UK's maritime industry, retain and increase naval engineering skills and sustain jobs.

However, two years on and one commentator suggests the "[strategy has failed to work out exactly as planned](#)", while media report "[industry executives and unions say there is a gap between the strategy's ambition and reality](#)". Smaller shipyards have not fared well: Babcock closed its [Appledore yard](#) in Devon in March and in August both [Harland and Wolff](#), based in Belfast, and Ferguson Marine, in Glasgow, went into administration, the latter being [nationalised](#) by the Scottish Government. The MOD [asked](#) Sir John Parker to review the implementation of the Strategy and said in July 2019 it is [considering his recommendations](#).

The Prime Minister appointed Ben Wallace, the Secretary of State for Defence, as the Government's [new 'Shipbuilding Tsar'](#) in September 2019.

Key dates

November 2015:
SDSR commits to a
National Shipbuilding
Strategy (NSS)

November 2016:
Sir John Parker
publishes his
'independent report to
inform the NSS'

September 2017:
National Shipbuilding
Strategy published

He has been tasked with working across government “to enhance the UK’s shipbuilding enterprise” and [will be](#):

looking at how the government can use Further Education, skilled apprenticeships and graduates to achieve a sustainable, longer term skills base for British shipbuilding across the UK. This will ensure that British shipyards are able to compete fairly for all UK government contracts as we leave the EU.

Type 31 frigates

The Strategy set out the procurement plan for the Type 31 frigate, a new general-purpose frigate. The Government set industry an aggressive timetable – for contract to be awarded in Q4 2018 and build to commence in 2019 – and an aggressive price cap of £250m per vessel. The strategy explicitly intended to use the Type 31s to ‘inject competitive tension in the market’. The design and build will be open to competition amongst UK yards.

The timetable has slipped slightly. The competition was reportedly [suspended](#) in July and [restarted](#) in August 2018. In [December 2018](#) in the MOD awarded three Competitive Design Phase contracts (of up to £5 million each) to consortia led by BAE Systems, Babcock and Atlas Elektronik UK, with a view to placing the Design and Build contract by the end of 2019. Stuart Andrew, then Minister for Defence Procurement, [said](#) at the time:

It remains our intention to seek a firm price contract for five ships, less an amount of Government Furnished Equipment, for £1.25 Billion, giving an average price of £250 million per ship. We want the first ship in 2023, with all five ships delivered by the end of 2028.

On 12 September 2019 the Government identified the Babcock-led consortium as the [preferred bidder](#), breaking BAE Systems’ monopoly on surface warship building in the UK. Thales will provide the combat management system for the consortium’s Arrowhead 140 design (the Save the Royal Navy website has a [deep dive](#) here into the design).

The Government said programme will [support over 2,500 jobs](#) across the UK with “different elements of the frigates being assembled and built at British shipyards”. Babcock’s shipbuilding plan had [originally envisaged](#) manufacture activities being shared out between Babcock at Rosyth, the Harland and Wolff yard in Belfast, and Ferguson Marine Engineering on the Clyde, but this is now in doubt. [Babcock](#) identified only its Rosyth yard in the official announcement – this is where the frigates will be assembled. Babcock has since said H&W and Ferguson Marine [can bid for work](#) but there is no guarantee they will be awarded a contract. Workers are hoping contracts [will give the yards a lifeline](#). Babcock has also [not ruled out](#) Cammell Laird’s involvement, despite it being part of one of the losing bids. The design and build contract is expected to be awarded by the [end of 2019](#), with manufacture to begin in [2021](#) and the first ship [scheduled for launch in 2023](#).

Fleet Solid Support Ships

The Government also intends to buy up to three new Fleet Solid Support Ships (FSS). These are for the Royal Fleet Auxiliary and are used to supply ships at sea with food, ammunition and spares.

The Government is at odds with Labour, the SNP and the shipbuilding trade unions over its decision to compete the contract internationally. The latter argue the competition should be restricted to UK shipyards to support the shipbuilding industry, secure jobs and retain skills. The [Defence Committee](#) has also questioned the procurement plan.

Frigates

The Royal Navy needs new frigates to replace the current, aging Type 23 vessels.

The Government has committed to a future fleet of 13 frigates made of two classes: 8 x Type 26 and 5 x Type 31.

The Type 23’s are expected to leave service annually from 2023.

The Government's position is defence procurement should be subject to open competition except when the UK judges it needs to protect its operational advantages and freedom of action for reasons of national security. The Government [argues](#) "there is no national security interest which requires the design and construct of the FSS ships to be limited to UK companies" (a more [detailed argument](#) is laid out in a letter to the Defence Committee).

In November 2018 the Ministry of Defence announced [five firms had been shortlisted](#) to submit a tender for the competition: a Team UK syndicate involving Babcock, BAE Systems, Cammell Laird and Rolls-Royce; Fincantieri (Italy); Navantia (Spain) in partnership with UK naval engineering specialists BMT; Japan Marine United Corporation and Daewoo Shipbuilding and Marine Engineering (South Korea). However, the [Financial Times](#) reported in May 2019 that Fincantieri and DSME have withdrawn.

The contract is expected to be awarded in 2020 with the ships delivered from the [mid-2020s](#).

Type 26

The Government has committed to buying eight Type 26 frigates and [signed a contract](#) for the first three in July 2017. The MOD says it [expects to sign](#) a contract for the second batch of five Type 26 Frigates in the early 2020. The Type 26s are anti-submarine warfare specialist frigates and will replace the eight ASW Type 23 frigates currently in service. The ships will be built in BAE Systems shipyards on the Clyde. The first in the City-class, HMS Glasgow, has a current [in-service date of 2027](#) with HMS Cardiff and HMS Belfast to follow. All eight ships have been named after cities in the UK: Birmingham, Sheffield, Newcastle and London.

Offshore Patrol Vessels

The second of the Royal Navy's new River-class Offshore Patrol Vessels (OPVs), HMS Medway, was [commissioned into service](#) on 19 September 2019. BAE Systems is building five OPVs for the Navy, ordered in two batches in 2013 and 2016, at its Clyde shipyards. The Royal Navy expects to have all five by the [end of 2020](#). They are intended for fishery protection, border patrol, counter-piracy, anti-smuggling, counter-terrorism and maritime defence.

Box 1: Related Library papers

- [The Royal Navy's new frigates and the National Shipbuilding Strategy: February 2017 update](#), 2 February 2017, CBP-7737. First published in October 2016, updated in December 2016 and February 2017, this paper examines the naval shipbuilding sector; an overview of the Navy's plans for new frigates, offshore patrol vessels and logistics ships; a summary of Sir John Parker's report on the Strategy and Government response.
- [The National Shipbuilding Strategy: January 2018](#), 9 January 2018, CBP-8193. This paper examines the main points of the shipbuilding strategy.
- [Fleet Solid Support Ships](#), 6 July 2018, CBP-8351. This paper focuses on the procurement plans for the Royal Fleet Auxiliary's new Fleet Solid Support Ships.

In addition, Library paper '[an introduction to defence procurement](#)' examines the overarching themes governing the purchase of defence material. The author discussed these in a Commons Library podcast, available from the Commons Library [website](#) and podcast platforms.

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