



## BRIEFING PAPER

Number 08807, 5 February 2020

# Naval shipbuilding: February 2020 update

By Louisa Brooke-Holland

Parliament has taken a keen interest in the Government's National Shipbuilding Strategy (NSS). The strategy concerns the procurement of new surface ships for the Royal Navy and Royal Fleet Auxiliary (the latter delivers logistical and operational support).

MPs are divided over the Government's approach towards UK-only versus international competitions for different categories of surface vessels. Labour and the SNP are calling on the Ministry of Defence (MOD) to restrict the competition for new support ships to UK yards to support the UK shipbuilding industry. Some MPs and Lords question whether the Royal Navy's current fleet of 19 frigates and destroyers is sufficient. There are indications there may be fewer in the mid-2020s.

The Commons Library has published several briefing papers in recent years examining surface ship procurement which delve deeper into the issues highlighted below (see box 1). This short paper provides an update on the strategy and the procurement plans for support ships and two classes of frigates. The latest developments are:

- The approved in-service date for the Type 31 frigates is 2027, according to a [letter written by the MOD's Permanent Secretary](#) to the chair of the Public Accounts Committee in January 2020. The Shipbuilding Strategy said the first vessel should be [in service by 2023](#).
- A Babcock International-led consortium signed the contract for the Type 31s in November 2019. The overall cost is just under £2bn.<sup>1</sup>
- The Government unexpectedly halted the international competition for the new Fleet Solid Support ships in early November 2019. In January 2020 the Ministry of Defence said it was "[currently assessing the options](#)."
- Sir John Parker, whose 2016 independent report informed the NSS, published his review of the implementation of the strategy in November 2019. He was 'encouraged' by progress made in implementing the strategy but criticised the Government's decision to limit the number of categories of ships eligible for UK only competition.

### What is the Shipbuilding Strategy?

The Government published the NSS in September 2017. It was based on the recommendations of Sir John Parker, whose 2019 [independent report](#) suggested a 'sea change' was needed in how the MOD acquires surface ships. Significantly, he pointed to a

<sup>1</sup> "Babcock secures UK Type 31 frigate contract", Jane's Navy International, 19 November 2019

'renaissance' in UK shipbuilding and urged the Government to harness UK regional shipyards for the new Type 31e frigates.

The Strategy completely overhauls the way the MOD procures surface ships. No longer would BAE Systems be the default main supplier. Rather, surface ship design and build will be open 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 sets out plans to energise the UK's maritime industry, retain and increase naval engineering skills and sustain jobs. A more detailed account of the conclusions of the NSS can be found in Commons Library briefing paper [The National Shipbuilding Strategy: January 2018](#), 9 January 2018, CBP-8193.

### How has the strategy been received?

Two years on there are mixed views on the Strategy. *Defence News* suggests the "[strategy has failed to work out exactly as planned](#)," while reported: "[industry executives and unions say there is a gap between the strategy's ambition and reality](#)."

Smaller shipyards have not fared well: Babcock International closed its [Appledore yard](#) in Devon in March 2019 and in August 2019 both [Harland and Wolff](#), based in Belfast, and Ferguson Marine in Glasgow, went into administration. Harland and Wolff has since been [bought by InfraSenta](#) and Ferguson Marine was [nationalised by the Scottish Government](#).

### Sir John Parker review

Sir John Parker [reviewed the implementation of the Strategy](#) in autumn 2019 ([HCWS85](#)). He said overall progress is "encouraging" with Defence Equipment & Support, the procurement arm of the MOD, and Navy Command pushing forward the cultural change needed to implement his recommendations.

### New 'Shipbuilding Tsar'

Prime Minister Boris Johnson appointed Ben Wallace, the Secretary of State for Defence, as the Government's [new 'Shipbuilding Tsar'](#) in September 2019. He is tasked with working across government to enhance the UK's shipbuilding enterprise, including with the Department for Education, the Department for Business, Energy and Industrial Strategy, and the Department for International Trade.

### Should surface ships be built solely in the UK?

This has been the subject of [considerable debate](#) in parliament.

The [Government's position](#) is that 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 has argued warship procurement is [exempt](#) from the Defence and Security Public Contracts Regulations (DSPCR) under Article 346 of Treaty of the Functioning of the EU. The Government argues this exemption [does not apply](#) to support ships.<sup>2</sup>

[Labour](#), the [SNP](#) and [trade unions](#) have all argued the Fleet Solid Support (FSS) ship contracts should be restricted to UK shipyards to support the shipbuilding industry, secure jobs and retain skills. They, and the [Defence Committee](#) (in February 2019) argued that other countries build support vessels domestically and categorise similar vessels as warships.

---

<sup>2</sup> Article 346 of the Treaty on the Functioning of the European Union allows any EU member state to take measures to protect its essential security interests. What constitutes "essential security interests" remains the sole responsibility of Member States. Commons Library briefing paper '[An introduction to defence procurement](#)' discusses the Government's approach, and Article 346, in more detail.

In his review of the strategy, Sir John Parker criticised the Government's decision to limit the number of categories of ships eligible for UK only competition. Sir John [recommended](#) "UK-only competition should be considered for future defence-funded vessels including amphibious vessels and mine countermeasure vessels."

That the Government has halted the FSS competition (more below) has been interpreted by some as indicative of a wider push for sovereign naval industry.<sup>3</sup>

## Type 31 frigates – open to UK competition

The Strategy set out the procurement plan for the new general- purpose Type 31 frigate. The design and build of these will be open to competition amongst UK yards.

The Government set industry an aggressive timetable for the contract to be awarded in Q4 2018 and build to commence in 2019. It also set an aggressive price cap of £250m per vessel. The Strategy explicitly intended to use the Type 31s to 'inject competitive tension in the market.'

However, the timetable has slipped. 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](#):

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 International-led consortium as the [preferred bidder](#). Thales will provide the combat management system for the consortium's Arrowhead 140 design (the Save the Royal Navy website has a [deep dive](#) into the design). The contract was [formally signed](#) in mid-November 2019 and the overall programme cost is reported to be just under £2bn.<sup>4</sup>

The Government said the programme will [support over 2,500 jobs](#) across the UK with "different elements of the frigates being assembled and built at British shipyards." It is not yet clear which shipyards will be involved; Babcock only named its Rosyth shipyard in its [official announcement](#). The future involvement of consortium partners Harland and Wolff and Ferguson Marine Engineering is [unclear](#). Workers at these yards are hoping contracts [will give the yards a lifeline](#). Babcock has also [not ruled out](#) Cammell Laird's involvement.

### In-service date slips from 2023 to 2027?

The Shipbuilding Strategy said the goal was to have the first Type 31 frigate [in service in 2023](#).

This date is also slipping. When Babcock was selected as the preferred bidder in September 2019, the company said manufacture would commence in 2021 with the first ship "[scheduled for launch in 2023](#)."<sup>5</sup> Noting the change in language, the [Save the Royal Navy website](#) said: "there is a big difference between the launch of the structurally complete hull and a fully functioning warship that is actually in service". The article went

---

<sup>3</sup> "[FSS suspension indicative of wider push for sovereign naval industry](#)", Shepherd News, 6 November 2019

<sup>4</sup> "[Babcock secures UK Type 31 frigate contract](#)", Jane's Navy International, 19 November 2019

<sup>5</sup> "[Babcock Team 31 selected as preferred bidder for UK Type 31 frigate programme](#)", Babcock, 12 September 2019

on to suggest "If we are optimistic it is likely the first Type 31 will be operational between 2025-26."<sup>6</sup>

On 20 January 2020 the MOD informed the Public Accounts Committee the approved in-service date for the first ship is 2027:

Evaluation of the Preferred Bidder's schedule and deliverability assessment has confirmed that Ship 1 will be in the water in 2023, with all ships accepted off-contract by the end of 2028. The IAC [Investment Approvals Committee] has approved the In-Service Date of Ship 1 for May 2027.<sup>7</sup>

The Ministry of Defence told the Commons Library "the competition we held demonstrated that no bidder could achieve a ship in the water before 2023."<sup>8</sup> The MOD also suggested to the author the in-service date could be earlier than 2027.

## Type 26 frigates – open to UK competition

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 2020s.<sup>9</sup> The Type 26s are anti-submarine warfare specialist frigates and will replace the eight anti-submarine warfare Type 23 frigates currently in service.

The ships will be built in BAE Systems shipyards on the Clyde. The first one, 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 and include Birmingham, Sheffield, Newcastle, Edinburgh and London. [Canada](#) and [Australia](#) have selected the Type 26 design for their respective navies. Both intend to build the ships domestically.

## Could there be a fall in frigate numbers?

Successive Conservative Governments have committed to a surface fleet of 19 frigates and destroyers: six destroyers and thirteen frigates.<sup>10</sup>

The current Type 23 frigates will begin to leave service on an annual basis from 2023. The Shipbuilding Strategy anticipated the first Type 31 to enter service in the same year, to avoid any fall in frigate numbers. However, as outlined above, the expected in-service date for the first Type 31 is now pencilled in as May 2027. If the Type 23s leave service as currently planned, there will be fewer frigates available in the mid-2020s.<sup>11</sup>

The MOD has previously ruled out any further life extensions for the Type 23s although it is not known whether the Navy might revisit this option given the potential reduction in frigate numbers.<sup>12</sup> There is no option to increase the number of Type 45 destroyers to

---

<sup>6</sup> "When will the first Royal Navy Type 31 frigate be in service?", Save the Royal Navy, 12 November 2019. The article discusses

<sup>7</sup> "[Type 31 programme accounting officer assessment](#)", Ministry of Defence, 20 January 2020 (added to website on 23 January 2020). The letter says the May 2027 date was approved with P50 confidence. This is a measure of confidence, P50 being the median.

<sup>8</sup> Communication with author, 27 January 2020.

<sup>9</sup> When first published on 30 January 2020 this paper erroneously said the Government expected to sign this contract in early 2020. This has been corrected to 'early 2020s'.

<sup>10</sup> This was set out in the 2015 SDSR, repeated in the Shipbuilding Strategy and reaffirmed by Baroness Goldie [HL365](#), 21 January 2020

<sup>11</sup> Shepherd News examined the tension between the build schedules of the Type 26 and 31s and the Type 23 retirement dates in "[Fleet escort cuts impending as UK's frigate maths fails to add up](#)", Shepherd News, 22 January 2020

<sup>12</sup> PQ39922, 27 June 2016. The First Sea Lord said in July 2016 there was no planned funding to extend their lives: Defence Committee, Oral evidence: Naval procurement: type 26 and type 45, 20 July 2016, HC 221 2016-17, q153

bring the surface fleet numbers back up to 19. In addition, the six Type 45s are due to begin receiving power improvement upgrades from spring 2020 until the mid-2020s, further reducing availability.<sup>13</sup>

Lord West, among others, has consistently argued 19 frigates and destroyers is too few for current commitments.<sup>14</sup> Baroness Goldie, when asked by Lord West whether the number of frigates will dip below 13 at any time in the ten years, replied:

The Government remains committed to a surface fleet of at least 19 Frigates and Destroyers, and the Royal Navy will have the ships required to fulfil their Defence and Policy commitments... It is not uncommon to have planned, temporary, small fluctuations in overall numbers during the transition from any class of ship or submarine to another.<sup>15</sup>

In addition to current commitments, frigates and destroyers will be expected to form part of an aircraft 'carrier group'. The first Carrier Group deployment, based on HMS Queen Elizabeth, [will be in 2021](#). While the MOD has not yet confirmed the exact make-up of the group, it would be expected to include at least a frigate, a destroyer, an attack submarine and a support ship.

The Shipbuilding Strategy explicitly says the frigate fleet could grow in the 2030s; it will be for future Governments to order additional Type 31s.

## Competition halted for Fleet Solid Support ships

The Government intends to buy two (possibly 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 ships are expected to be delivered from the [mid-2020s](#) and are being procured through international competition.

In November 2018 the Ministry of Defence announced [five firms had been shortlisted](#) to submit a tender for the competition. However, Finantieri (Italy) and DSME (South Korea) were [reported](#) in May 2019 to have withdrawn. [Naval Technology](#) reported in November 2019 that only Navantia (Spain) remained of the international bidders. The owner of Belfast-based Harland and Wolff [signed an accord](#) with Navantia in November 2019, prompting hope the yard could be in [line to work](#) on the contract. A Team UK syndicate involved Babcock, BAE Systems, Cammell Laird and Rolls-Royce.

In [October 2019](#) the MOD said: "We anticipate that a design and build contract for the Fleet Solid Support ships will be awarded in 2020, for a class of up to three ships."

However, the Government unexpectedly [suspended the competition](#) in early November 2019, shortly after Sir John Parker's review was published, on the eve of the dissolution of Parliament. The MOD cited value for money reasons and said the current approach "[will not deliver the requirement](#)."

---

<sup>13</sup> [HL Deb 21 January 2020 c1038](#)

<sup>14</sup> See for example [HL Deb 23 June 2014 c1061](#): "having 19 frigates and destroyers for our great maritime nation is a national disgrace". Douglas Chapman, the SNP's defence spokesman, has similarly said: "19 is still too low a number and has seen the UK fail in many of its commitments to its allies" [HC Deb 8 February 2017 c1571WH](#)

<sup>15</sup> [HL365](#), 21 January 2020

James Heapey, the Minister for Defence Procurement said in response to a [written question](#) on 13 January 2020:

The decision to stop the Fleet Solid Support ship competition was taken because it had become clear that a value for money solution could not be reached. The Ministry of Defence is currently assessing the options, and as part of this process will review the requirement and any procurement strategy. It is not possible to provide any further details until this work has been completed.

## Offshore Patrol Vessels being built in the UK

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. The five new vessels were intended to replace the four batch 1 River-class OPVs. However, in November 2018 the Defence Secretary [announced that three Offshore Patrol Vessels](#) will be retained in service for at least two more years, "to bolster the UK's ability to protect our fishing fleet" as the UK exits the EU.

### 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; the Navy's plans for new surface ships; and Sir John Parker's independent report on Shipbuilding.
- [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.
- [Naval Shipbuilding: September 2019 update](#), 19 September 2019 CBP-08665.

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.

## About the Library

The House of Commons Library research service provides MPs and their staff with the impartial briefing and evidence base they need to do their work in scrutinising Government, proposing legislation, and supporting constituents.

As well as providing MPs with a confidential service we publish open briefing papers, which are available on the Parliament website.

Every effort is made to ensure that the information contained in these publicly available research briefings is correct at the time of publication. Readers should be aware however that briefings are not necessarily updated or otherwise amended to reflect subsequent changes.

If you have any comments on our briefings please email [papers@parliament.uk](mailto:papers@parliament.uk). Authors are available to discuss the content of this briefing only with Members and their staff.

If you have any general questions about the work of the House of Commons you can email [hcinfo@parliament.uk](mailto:hcinfo@parliament.uk).

## Disclaimer

This information is provided to Members of Parliament in support of their parliamentary duties. It is a general briefing only and should not be relied on as a substitute for specific advice. The House of Commons or the author(s) shall not be liable for any errors or omissions, or for any loss or damage of any kind arising from its use, and may remove, vary or amend any information at any time without prior notice.

The House of Commons accepts no responsibility for any references or links to, or the content of, information maintained by third parties. This information is provided subject to the [conditions of the Open Parliament Licence](#).