

HOUSE OF COMMONS DEFENCE SELECT COMMITTEE
**Restoring the Fleet: Naval Procurement and the National
Shipbuilding Strategy**
Conclusions and recommendations

Introduction

1. As an island nation, the importance of the Royal Navy to UK defence must not be underestimated. Our starting point in this Report is our conviction that the current number of frigates, destroyers and personnel inadequately reflects the potential threats and vulnerabilities facing the UK and its interests overseas.

National Shipbuilding Strategy

2. We look forward to the announcement of the National Shipbuilding Strategy, which has the potential to deliver a more coherent and timely production line of ships for the Royal Navy. However, if that potential is to be realised, the Strategy must include strict timelines for the delivery of the new Type 26 class of frigates and an indicative time-frame for the General Purpose Frigate. Without this information, the National Shipbuilding Strategy will offer little more than aspirations for the future of the Royal Navy.

3. We recommend that the National Shipbuilding Strategy sets out a detailed timeline for the delivery of the Type 26 frigates and the General Purpose Frigates alongside a clear description of how success will be measured in the coming years. We will expect the Strategy also to include a comprehensive assessment of the potential to build a new complex warship every two years, as well as a detailed schedule showing how each new frigate will arrive as each Type 23 frigate is withdrawn from service with the Fleet, so that no further reduction occurs in its already insufficient warship numbers.

4. Furthermore, we expect the Strategy to set out the criteria against which the expansion of the UK's share of the export market in warships will be judged.

5. It is clear to us that the delays in the construction of the Type 26 have had a negative impact on the development of the workforce on the Clyde. Apprenticeships are not being offered at the necessary rate, and those currently undertaking apprenticeships are having their skills training disrupted. Furthermore, workers are being required to move from Scotland to Barrow in order for them to undertake meaningful work. We welcome the efforts made by the trades unions and BAES to retain the workforce during this period of uncertainty, but remain deeply concerned by warnings that further delay could be "catastrophic" for the skills base.

6. The Government must, as a matter of priority, ensure that the UK retains the specialist skills necessary to deliver the National Shipbuilding Strategy. It can do this only if the National Shipbuilding Strategy provides a programme of work on which industry and the workforce can rely. This must include a timetable for both the Type 26 and the GPFF. If the UK is not building sufficient ships, the skills base will be depleted with long-term impacts on both our national security and the UK's defence industrial infrastructure. To ensure the future skills required for ship building it is essential that the Government does more to protect and secure the apprenticeship programme. The Government must set out in the National Shipbuilding Strategy, the numbers of apprenticeships required in each of the key trades and how it will monitor them to ensure there are no longer-term skills gaps.

Type 26 Global Combat Ship

7. The Type 26 programme has seen a significant extension to its timetable with a thirteen month extension to the Assessment phase followed by an additional fifteen months to the Demonstration phase.

8. The MoD's announcement that the construction phase of the Type 26 will start in the summer of 2017 belatedly represents a step forward, but it raises as many questions as it attempts to answer. We are concerned at an apparent degree of complacency and lack of urgency on the part of the MoD and DE&S. The start date remains contingent on a successful conclusion to the negotiations between the MoD and BAES on both the design and the contract. Furthermore, even with a 2017 start date, the Type 26 programme will not be "fully underway" until 2019. If we are to have confidence that the Type 26 programme is back on track, the MoD must provide us with a detailed assessment of those design and contract issues which remain outstanding, the build programme for the Type 26 and the rate of output of the ships.

9. The SDSR was announced alongside an increased Defence Equipment Budget, which the Government asserted would provide sufficient funding for the programmes contained within it. We are deeply disappointed that, only 12 months later, a key programme for the modernisation of the Royal Navy appears to be under severe financial pressure. If the SDSR is to be more than a collection of aspirations, it has to be fully funded. As we warned in our Report on the Government's commitment to spend barely 2% of GDP on defence, the current funding settlement may not be enough.

10. In its response to our Report, we will expect the Government to provide a clear timeline—with costings at each stage—for the Type 26 programme. In doing so we will also expect to receive

clear statements that the necessary funds are available in this financial year and for subsequent financial years alongside details on the amounts spent on the programme as it progresses. Above all, we seek an absolute assurance that short-term financial limitations are not storing up for the future, large cost consequences caused by otherwise avoidable delays in the Type 26 construction programme.

11. The MoD's announcement of a summer 2017 start date for the Construction Phase for the Type 26 relies on a successful conclusion to negotiations on both the contract and the design of the ship. Should these not be concluded in time for construction to start in summer 2017, further delays will occur, inevitably increasing the overall cost of the Type 26 programme. Such additional costs would result in increased pressure on a Royal Navy budget which is already being squeezed. Furthermore, the pace of construction phase must not be dictated by the financial constraints of the MoD. The use of artificial delays to the programme as a way of managing an over-stretched budget would serve only to increase costs and to undermine further the UK's already severely depleted surface fleet.

12. We do not underestimate the importance of value for money to the taxpayer. However, this should not be to the detriment of the capabilities needed by the Royal Navy. With the surface fleet already smaller than ever before, the priority must be to deliver the Type 26 programme in an expeditious manner. Slowing the pace of the programme just to squeeze out a marginally better deal will not deliver a much-needed capability, and will serve only to increase costs further down the line, especially if the promised infrastructure investment is not forthcoming.

13. There is a history of poor value for money caused by moving start dates being moved to the right and repeated delays in commencing construction. The MoD does not seem to learn from past mistakes and mismanagement of budgets through built-in delays.

14. The procurement of new equipment for the first Type 26 frigates has the potential to smooth the transfer of existing Type 23 equipment to the later Type 26 frigates. **In its response, we recommend that the MoD provide further detail on the progress it has made on the manufacture and purchase of that equipment and the expected date of its completion.**

15. Given the apparent impracticality of extending the service life of the Type 23s, the importance of the Type 26 build schedule cannot be overstated: the replacement of the former by the latter must remain fully synchronised.

16. The delivery of the Type 26s to the Royal Navy has to be coordinated with the out of service dates of the Type 23s. The first Type 23 will come

out of service in 2023 and the rest of class will follow on an annual basis. This means that one new Type 26 will have to enter service every year from 2023 onwards, if even the current total of 19 frigates and destroyers is to be maintained. Delivering the Type 26 class (and subsequently the GPF) to match that timetable will be challenging. Extending the life of some of the Type 23s to accommodate the construction schedule of the Type 26 is not a cost-effective option and would risk diverting the funds available to the Royal Navy away from the Type 26 programme (or other programmes, such as the GPF and the Carrier programme). The alternative—to decommission Type 23s before they are replaced—would represent a dangerous downgrading of the capabilities of the Royal Navy. Furthermore, it would signify a failure of the Government to honour its promise to maintain a surface fleet of even 19 frigates and destroyers—a figure which, we believe, is already woefully low.

17. *The MoD has announced that construction of the OPVs will start shortly, with delivery of the vessels due in 2019. Whilst this is a welcome development we remain concerned that this programme has the potential to interfere with, and further delay, the construction of the Type 26. In its Response to our Report, we will expect the MoD to set out in detail, how the construction of the OPVs will be managed so as not to impact on the programme for the construction of the Type 26 frigates.*

General Purpose Frigate

18. *The production of the GPF must be aligned so that it fits seamlessly into the Type 23 replacement programme both in terms of timing but more importantly in terms of capability. We recommend that the MoD sets out how the construction timetable for the GPF will dovetail with that of the Type 26. We will also expect more detail on how the MoD will fund and deliver on its aspiration to increase frigate numbers by the 2030s.*

19. The GPF has the potential to provide the Royal Navy with a modern, flexible frigate. It also offers the UK the opportunity to re-enter the highly valuable export market for warships. However, there is a balance to be struck between these two ambitions. On the one hand, the GPF must be designed to provide the Royal Navy with the capabilities it requires. Yet, on the other hand, it may be that modular design of a “template” warship, will enable a greater number of basic hulls to enter service, with additional “plug and play” capacity being added incrementally at later stages.

20. *We recommend that the MoD should set out the minimum capabilities required of the GPF and how they differ from those Type 23s which they will replace.*

21. In addition, it is vital to know which European examples, whether it be the French Aquitaine-class, or the Danish Absalon-class frigates, the MoD has considered as being suitable templates for the GPFF.

Type 45 Destroyer

22. It is clear to us that the under-testing of the engine was a key cause of the problems experienced by the Type 45s when they came into service. This is a serious failing of both the MoD and of the contractors. The MoD did not explain satisfactorily why there was no adequate clause in the contract with Rolls Royce specifying responsibility for repairs should the engines develop any further design faults because of the lack of testing time. In its response, we will expect a detailed explanation of why the testing period was truncated alongside a clear statement of how we can be reassured that this will not be able to happen in the future.

23. It is astonishing that the specification for the Type 45 did not include the requirement for the ships to operate at full capacity—and for sustained periods—in hot regions such as the Gulf. The UK's enduring presence in the Gulf should have made it a key requirement for the engines. The fact that it was not was an inexcusable failing and one which must not be repeated in the Type 26 and GPFF programmes. Failure to guarantee this would put the personnel and ships of the Royal Navy in danger, with potentially dangerous consequences.

24. The Type 45 has had a long history of significant engine failures. The MoD's Power Improvement Plan is designed to rectify these problems and put an end to the reliability issues which continue to limit the availability and dependability of the Type 45. The MoD has assured us that there are sufficient funds available for the refit programme. However, it has yet to set a start date.

25. In its response, we expect the Government to set out, in detail, the costings of this programme and a timeline for the refit across the class of ships. Furthermore, we recommend the MoD provide us with six-monthly progress reports on the programme.

26. In addition, the MoD must provide a detailed explanation of how the funds for the refit were sourced and identified as part of the SDSR process—in particular, whether these funds were a separate addition to the Royal Navy's equipment budget or were allocated from within it. As part of that explanation, we will require confirmation that no funds were transferred to the Type 45 from funding originally allocated to the Type 26 programme.

Conclusion

27. The MoD is embarking on a major modernisation of the Royal Navy surface fleet. Notwithstanding the Committee's concerns that the

number of ships is at a dangerous and an historic low, it is a programme which has the potential to deliver a modern navy with a broad range of capabilities, especially if the GPFF design proves versatile and sufficiently economical to increase the number of frigates in the Fleet. However, there are serious concerns about the funding available for the programme and the timetable to which the MoD is working. The delay to the construction of the Type 26 has had a negative impact on the skills of the shipbuilding workforce. If this situation is allowed to continue, it risks undermining the ability of the shipbuilding industry to deliver the Type 26s to the necessary timetable. The MoD must also demonstrate that it has learnt from the extraordinary mistakes in the design of the Type 45.

28. The introduction of the Type 26 represents only part of the modernisation of the Royal Navy's frigates. Five of its existing Type 23 frigates will need to be replaced by the new General Purpose Frigate, the design of which is only in its infancy. The MoD must not allow this programme to experience the delays to previous Royal Navy procurement programmes. It also has to ensure that the General Purpose Frigate provides the Royal Navy with the capabilities it requires and is not a less capable ship which is there merely to meet the Government's commitment to 19 frigates and destroyers, and possibly to be suitable for export. Modular design and "plug and play" incremental acquisition could and should enable this to be achieved. Hulls can be designed and constructed to enable an increase in the number of platforms and subsequent augmentation of their equipment. Furthermore, the refit programme and associated costs for the Type 45 must not result in further delays to the frigate programmes.

29. The National Shipbuilding Strategy offers the MoD the opportunity to put its plans for the modernisation of the frigate fleet back on track. For this to happen, the MoD has to ensure that the Strategy includes a timed production schedule for the delivery of both the Type 26 and GPFF, in close co-ordination with the withdrawal from service of the Type 23s, and that both programmes are fully funded to proceed to that timetable.

30. At 19 ships, the Royal Navy's frigate and destroyer fleet is at a dangerous and an historic low. By giving a commitment to build "at least" five General Purpose Frigates, the SDSR implicitly acknowledged the need to increase this woefully inadequate total. The Government has now set itself a target date for the start of construction of Type 26. It now has to demonstrate that it can deliver these ships, and the GPFF/Type 31 frigates to the timetable set by the out-of-service timetable for the Type 23s. If the MoD does not, it will put at even greater risk our frigate numbers and the capabilities they provide. The SDSR 2015 undertook to modernise the Royal Navy, it is now time for the MoD to deliver on its promises.

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