UK STEEL
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UK Steel – Defence Procurement Strategy Submission

January 2025

About UK Steel

UK Steel is the trade association for the UK steel industry. It represents all the country's steelmakers and a number of downstream steel processors.

Introduction

UK Steel and our members welcome the opportunity to provide a submission to the Defence Industrial Strategy (DIS). The Ministry of Defence is, and could be more so, a critical partner in increasing the utilisation of UK-made steel in public projects, both for construction and defence grades. We have been actively engaging with the MOD on this issue for a number of months, publishing a defence position paper in May 2024 and submitting it to the ongoing Strategic Defence Review in August 2024. Procurement is also a major policy issue under discussion at the Steel Council, and we expect cross-government recommendations to be embedded in the forthcoming Steel Strategy.

Our industry can make a significant contribution to supply chain resilience, bringing the procurement of key materials closer to home and reducing our dependence on foreign companies in an increasingly competitive and protectionist world by better support and utilisation of our domestic steel industry. In this submission to the DIS, we will explore the current issues hampering better engagement between the MOD and UK steel companies and make recommendations for improving the procurement of UK-made steel by the MOD and its partner organisations.

The need to strengthen domestic defence procurement of steel

The Defence Select Committee published its report 'Ready for War?' in February 2024. This important publication identified serious deficiencies in defence procurement practices, with the relationship between the Ministry of Defence (MOD) and suppliers "not anywhere close to where it needs to be"[1]. The report also identified a pressing need to strengthen domestic production capacity across the board.

The UK must take a more robust approach to protecting, utilising and growing our domestic manufacturing capacity, and we support the proposed scrapping of "global competition by default" as identified in the previous DIS of 2021. The MOD does not currently treat steel as a 'strategic asset' requiring support and protection in procurement decisions, despite the security implications of offshoring, as identified by the Royal United Services Institute (RUSI) in its report 'Use it or Lose it'[2].

RUSI has warned that if current steelmaking capacity is lost, alternatives from abroad may not be readily available as other countries take a more protective approach to defence-grade steel capabilities. As proven by the information provided by the MOD (detailed below) for its most recent steel pipeline submission, most projects do not currently list where steel used in contracts is procured from – despite the new PPN requirements to list the 'melted and poured' origin as part of the data.

The MOD also has a wider role to play in supporting the domestic steel industry, over and above procurement of defence-grade steels. The UK steel sector can supply many grades of steel for maintenance and expansion of the defence estate, such as the recently announced storage warehouse in Cumbria, a contract alone worth £86 million[3].

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[11] 'Ready for War? Defence Select Committee, Page 46 Ready for War? (parliament.uk)

[2] 'Use it or Lose it' Royal United Services Institute Use It or Lose It: The UK Must Decide If It Wants a Steel Industry | Royal United Services Institute (rusi.org)

[3] New £86-million storage facility size of 12 football pitches secures hundreds of UK jobs - Defence Equipment & Support (mod.uk)

The RUSI report warns that *"further loss of steel capability risks the sector's ability to regenerate, putting at risk the supply and price of a core intermediate good for the economy and for the military"*[4]. With a supportive investment environment and a pipeline of projects, the UK steel industry stands in a position to be able to supply significant amounts of domestically produced steel to the MOD for all purposes. However, an audit, supported by senior MOD officials, is needed to establish future requirements – both defence-grade and otherwise – and gain a realistic assessment of how the UK industry can contribute to our security needs. This exercise by the MOD would open its procurement approach, increase opportunities for UK steel producers and manufacturing supply chains, and maximise the economic and social value of their projects.

Ministry of Defence steel procurement statistics

The latest 'backward look' of steel purchased by the MOD in 2023 shows that almost £10 million of steel products that could have been purchased from UK suppliers were not, depriving the UK industry of a significant amount of investment, which instead went to foreign companies[5]. In addition, a significant £37.4 million of steel products, predominantly heavy plate, were purchased abroad – demonstrating a significant opportunity is being missed by the UK in not utilising our own existing plate capacity or investing in new machinery to enhance our existing offering.

The Ministry of Defence's 'forward look' 2023 pipeline showed that:

- The MOD procured or is currently procuring at least 82,000 metric tonnes of steel, with certain project requirements still being undecided.
- Most projects listed also do not specify where steel is procured from, and those that do primarily state Sweden as the source of steel.
- Of the projects listed in the pipeline, defence estate and infrastructure represent at least £14 million of capital expenditure on steel alone, with another 14 projects' capital expenditure still unknown.
- An additional £59m, likely more due to some project expenditures not yet being forecasted, is represented by capex on warships, submarines, and vehicles.

UK steel companies have had patchy levels of integration into the defence supply chains despite repeated industry attempts to engage. Steel producers report that often officials and contractors are unaware of what products and grades of steel are available from UK steel producers. In some instances, producers supply products which are later used in military applications downstream, but this is not known by the producers. UK Steel is currently developing a comprehensive 'Digital Catalogue' supported by the Department for Business & Trade, which will be linked from their website alongside the Steel Pipeline and PPN for Steel. This will remove the 'excuse' that Ministries and contractors were unaware what steel products are available in the UK.

In other cases, products that can be supplied from UK steelmakers are overlooked over foreign steel, which is imported with an additional carbon footprint resulting from transportation from abroad, where projects are then badged as built or made in the UK. The data supplied in the appendix of this paper gives a general overview of the UK steel sector's products available for MOD projects, separated according to MOD procurement streams. The information supplied shows that UK steel companies can supply across all streams of MOD procurement, from specialist to infrastructure products.

Defence Industrial Strategy Recommendations

UK Steel has developed some practical proposals, both immediate and longer-term, for consideration by the DIS. By implementing these recommendations, the Government will have a plan in place to ensure all possible steps are being taken to secure the steel supply, and suppliers will have greater confidence to invest in expanding and maintaining steel production from a strategic point of view, with the security of supply this brings.

- **For defence projects, essential to national security, a strong domestic supply capability is critical. Steel should be recognised as a National Strategic Asset, and domestic business should be prioritised.**

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[4] Use It or Lose It, RUSI [Use It or Lose It: The UK Must Decide If It Wants a Steel Industry | Royal United Services Institute (rusi.org)]

[5] MOD Steel Procurement 2023 [Steel public procurement 2023 (publishing.service.gov.uk)]

    - RUSI has identified existing capability gaps in global capacity to provide certain materials unavailable in the home market – so if domestic defence capacity is lost, it may not necessarily be available from elsewhere.
    - Domestic defence steel capacity should therefore be recognised as a 'strategic asset' to be supported and utilised by the MOD with relevant domestic content quotas or targets as contractual obligations on primary contractors and third-party companies where necessary so that requirements to use domestic content are not lost as they go down the supply chain.
    - The MOD should undertake an assessment of the potential capacity of the UK sector to scale up or reopen mothballed machinery to supply defence-grade steels if contract demand is there, including if new product lines could be opened with adequate investment support and a reliable pipeline of projects – and consider if investment support from the £2.5 billion steel fund is necessary to secure domestic access to particular steel grades and products.

- **The UK steel industry should be represented on the new Defence Industrial Joint Council at all appropriate levels.**
    - The UK steel industry can make a valuable contribution to the work of the new DIJC including supply chain resilience, social value, climate change, and capability management.
    - UK Steel will work with member companies to nominate representatives to the DIJC when it is formed.
    - The MOD should sign the UK Steel Charter. The Charter provides organisations with a range of simple, practical steps they can take to open their procurement approach, increase opportunities for UK steel producers and manufacturing supply chains, and maximise the economic and social value of their projects.

- **The Ministry of Defence and the new DIJC should engage in more consistent dialogue with industry, in particular the steel industry. This would also allow UK-based steel companies to demonstrate their capability and capacity to provide into projects.**
    - Therefore, as recommended in the Defence Select Committee's 2023 report, a formalised pre-procurement stage process for the MOD to understand the UK steel industry's capability and capacity to contribute to projects should be established in the DIJC.
    - This should be implemented as part of the MOD Strategic Partnering Programme (SPP) if this continues in its current form after the DIS review.
    - Increased estimation and sharing of project requirements early in the process of development would increase transparency, identify UK-based capacity to assist and help earlier understanding of potential cost and the benefits of supply chain security.
    - There is also a specific need for producers and the MOD to work towards technical alignment to understand how UK-made steel can be utilised and understand the competencies of UK producers to adapt to provide required products.

- **Comprehensive MOD adherence to their statutory requirements under the Public Procurement Notice for Steel and a willingness to utilise national defence opt-outs to boost domestic purchases of steel.**
    - The MOD and DIJC should follow best practice from other Government Departments, such as Transport, to embed the principles of the Public Procurement Notice for Steel in purchasing decisions and ensure submissions to the cross-government steel pipeline are as comprehensive and accurate as possible.
    - The MOD and the HM Treasury should provide a much clearer definition of 'social value' in defence contracting and specify to bidders how these criteria will be applied in procurement competitions by ensuring DIJC is fully aware of and implementing PPN 06/20 'Taking Account of Social Value in the Award of Central Government Contracts'.
    - Following the example of other NATO allies, including the USA, serious consideration should be given to enacting national security obligations for suppliers of steel for military purposes, as allowed under WTO rules (Article XXI), requiring domestic purchase where said products are available (as per the table in the appendix), or could with investment, be available in the UK.

Conclusion

The advent of the Steel Council and the publication of the Statement of Intent for the new Defence Industrial Strategy mark a once-in-a-generation chance for the UK steel industry to be recognised for the strategic and critical role it plays in our national security. The DIS should move the UK steel industry from an afterthought for MOD procurement officials to a front-and-centre role, which means that we take the same assertive approach as our neighbours and competitors. The government has made an important start by scrapping "global competition by default" as part of the DIS's terms of reference.

The aim of this submission to the DIS is to begin to address the historical issues identified by the Defence Select Committee and others that have previously prevented the optimum relationships between this key ministry and our steel industry and strengthen our domestic industrial capability for the benefit of all.

For further information, contact:

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Appendix 1 – UK steel sector capability for defence

Table 1: UK steel sector capability and capacity to deliver Ministry of Defence procurement requirements

MOD requirements	Tata Steel UK	British Steel	CELSA Steel UK	Liberty Steel UK	Marcegaglia Stainless Sheffield	Sheffield Forgemasters	Somers Forge	Spartan UK
Defence Equipment and Support (DES)	• Hot rolled sheet certified for shipbuilding applications	• Bulb Flats for shipbuilding applications		• Submarine internals and structure. Capability exists for hull material • RH Armour Plate • Surface Ships – Capability across the range 10-100mm plate for hull and substructure • Aerospace – Landing Gear and other associated steel/alloy requirements		• Forgings & castings for naval defence • Surface and submarine applications		
Defence Infrastructure Organisation (DIO)	• Insulated steel faced roof and wall panels • Twin steel skinned insulated site assembled roof & wall systems • Structural metal composite flooring • Structural metal roof deck • Steel channels & angles • Internal flexible fit out panel system (Trimawall Fastfit) • Transpired Solar collectors (low CO2 heating space) • Roofing systems with integrated PV capability • Structural hollow sections (tubes) • Building and industrial services pipework	• Structural Sections / Beams, Angles & Channels for construction of buildings, transmission lines and other structures • Rail, for passenger and freight rail networks • Special profiles, including fork lift masts, crane rails and trackshoes • Rods, for use in construction, engineering, automotive and consumer goods • Semi Finished Products, Bloom, Billet and Slab – Slab supply to Plate Mills for rolling into Plate products for bridges and other construction	• Reinforcing Bar – B500C • Bar in Coil - B500C • Wire Rod – mesh grade, low, medium and high carbon. Wide range of grades and diameters within those • Merchant bar and sections (S275JR+AR grade, S355JR/J0/J2 +AR, other grades possible • DNV third party certified possible, Lloyds testing also an option: • Flats and double straightened flats (trailer flats) • Angles (equal and unequal) • Channels up to 150x75 (pre-new furnace investment) • Plain Round Bars	• Bridge Plate • Construction Plate			• Forged components i.e shafts, bearings, retaining nuts, pins door housings. forged billets and other bought in items	• Plates which range from a thickness of 8 to 150 mm, max width 2100 mm and max length 22m
Defence Science and Technology Laboratory					• Castings and forgings to AWE as part of Teutates project			

Appendix 2 – MOD 2023 Steel Purchase Summary

Ministry of Defence

Project	Type of Steel Required	Tonnage (in full tonnes)	Alternative units	Value of Steel (£)	Can all, part or none of this steel be produced in the UK?	Percentage of 'Value of Steel' bought from UK producers
Type 31	Plate	15555		£37,060,000	None	0%
	Bulb bar	1464		£3,488,000	All	0%
	Sections	1281		£3,052,000	All	0%
Type 26	Plate	244		£465,498	Part	25%
Submersible Ship Nuclear (Replacement) - SSNR	Forgings	113		£10,200,000	All	100%
Vehicle Storage Support Programme	Sections	2654		£3,715,600	All	10%
	Reinforcement	50		£55,000	All	100%
Little Rissington	Sections	11		£36,345	All	100%

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