

DEFENCE PROCUREMENT POSITION PAPER

Recommendations to improve UK-made steel procurement in defence

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. This paper will explore the current issues hampering better engagement between the Ministry of Defence (MOD) and UK steel companies, list concisely what steel products of relevance are made in the UK and by whom, and provide wider recommendations for rectifying some of the issues identified by the Defence Select Committee and, separately, by the Royal United Services Institute (RUSI).

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 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. If supported by a positive investment environment and a pipeline of projects, the United Kingdom possesses a range of domestic steel producers and suppliers with the capacity to produce key products for defence and security of national supply.



INTRODUCTION

Despite its criticality as the building block material for many of our military assets, the MOD does not currently treat steel as a ‘strategic asset’ requiring support and protection in procurement decisions, despite the security implications of offshoring steel supplies, as identified by RUSI in a recent report. RUSI² 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 their defence-grade steel capabilities. As proven by the information provided by the MOD for its 2023 steel pipeline and actuals report data submission³, most projects did not list where MOD steel used was procured from – despite the new requirements to list the ‘melted and poured’ origin as part of the data⁴.

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 is able to 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 million⁵.

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”. Therefore, a serious and open discussion is needed to establish future requirements – both defence-grade and otherwise – and gain a realistic assessment of how the UK steel industry can contribute to our security needs. This exercise by the MOD would open up their 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 Ministry of Defence 2023 steel procurement pipeline⁶ and actuals report showed that:

1. THE MOD PROCURED OR IS CURRENTLY PROCURING AT LEAST 82,000 METRIC TONNES OF STEEL, WITH CERTAIN PROJECT REQUIREMENTS STILL BEING UNDECIDED OVER THE COMING EIGHT YEARS.

2. MOST PROJECTS LISTED DID NOT SPECIFY WHERE STEEL WAS PROCURED FROM. THOSE THAT DO PRIMARILY STATE SWEDEN AS THE SOURCE OF STEEL.

3. OF THE PROJECTS LISTED IN THE STEEL PROCUREMENT PIPELINE AND ACTUALS REPORT, DEFENCE ESTATE AND INFRASTRUCTURE REPRESENTS AT LEAST £14M OF CAPITAL EXPENDITURE ON STEEL. CAPITAL EXPENDITURE ON STEEL FOR ANOTHER 14 PROJECTS IS STILL UNKNOWN.

4. THE MOD CITES THAT £59M IS SPENT ON CAPEX FOR WARSHIPS, SUBMARINES AND VEHICLES.

THE UK STEEL INDUSTRY HAS THE CAPABILITY AND CAPACITY TO SUPPLY THE DEFENCE SECTOR

STEEL MADE IN THE UK

It is important to add that the issue of monitoring supply is nuanced. UK steel companies have had patchy levels of integration into the defence supply chains despite repeated industry attempts to engage. UK Steel member companies 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. In other cases, products that can be supplied from UK steelmakers are overlooked for foreign steel which is imported with additional carbon footprint resulting from transportation from abroad, where projects are then badged as built or made in the UK.

The data supplied in 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.

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			



RECOMMENDATIONS TO IMPROVE MINISTRY OF DEFENCE STEEL SECTOR ENGAGEMENT

While the data in this paper is intended start to addressing the lack of understanding in the UK steel industry's capability and capacity to provide for our defence requirements, there is a need for a wider step-change in relations between the MOD and the steel sector. This should follow best-practice examples of other Departments, such as the Department for Transport, where regular formal engagement forums have been established and embedded. This positive development followed the publication of the most recent Procurement Policy Note (PPN) for Steel⁷.

By enhancing the number of 'touchpoints' between steel companies and officials, a better understanding and relationship will develop. When steel is required for defence products, UK industry must be at the forefront of MOD strategic planning.

Recommendations

After consultation with members, UK Steel has developed some practical proposals, both immediate and longer-term, to improve the MOD's engagement with and consideration of the UK steel industry. By implementing these recommendations, the Government will have a plan in place to ensure all possible steps are being taken to onshore national steel supply. Suppliers will have greater confidence to invest in expanding and maintaining steel production from a strategic point of view.

1. The UK steel industry should be represented on the Defence Suppliers Forum (DSF) at all appropriate levels.

- The UK steel industry can make a valuable contribution to several work streams of the DSF, including supply chain resilience, social value, climate change, and capability management.
- UK Steel will, with Make UK Defence, nominate a representative to the DSF when a vacancy next arises and will seek support of Parliamentarians in its application.
- The MOD should sign the UK Steel Charter. The Charter is a commitment that shows how organisations are changing procurement processes to include more UK-made steel and support the economy. Its guidelines provide a range of simple, practical steps to open procurement approaches and maximise the economic and social value of projects by using steel produced in the UK.

2. The MOD and DSF 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, the steel sector would welcome a formalised pre-procurement stage process for the MOD to understand UK steel industry capability and capacity to contribute to projects, established in the DSF.
- This should be implemented as part of the MOD Strategic Partnering Programme (SPP).
- Increased estimation and sharing of project needs 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.
- Included in this document, UK Steel has prepared a refreshed assessment of the UK industry's current and potential product range to assist the MOD and other departments in assessing where we are able to contribute to projects.

3. For defence projects, essential to national security, a strong domestic supply capability is critical and should be recognised as a strategic asset.

- 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 contractual obligations on third-party companies where necessary.
- The MOD should undertake an assessment of the potential capacity of the UK sector to scale up or reopen mothballed plants 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. Similar evaluations have been undertaken by the Department for Transport, the Crown Estate and the hydrogen and carbon capture, utilisation and storage sectors.

4. Comprehensive MOD adherence to its statutory requirements under the Procurement Policy Note for Steel is needed - in particular, ensuring a level playing field for all suppliers and the supplying steel country of origin.

- The MOD and DSF should follow best practice from other Government Departments, such as Transport, to embed the principles of the Procurement Policy Note for Steel in purchasing decisions and ensure submissions to the cross-government steel pipeline are as comprehensive and accurate as possible.
- The MOD and 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 DSF is fully aware of and implementing PPN 06/20 'Taking Account of Social Value in the Award of Central Government Contracts'.



1. [Ready for War? Defence Select Committee, February 2024](#)
2. [Use It or Lose It: The UK Must Decide If It Wants a Steel Industry | Royal United Services Institute \(rusi.org\)](#)
3. [Department for Business and Trade, Steel Public Procurement 2023](#)
4. [Department for Business and Trade, Public Procurement Notice for Steel PPN 04/23](#)
5. [New £86-million storage facility size of 12 football pitches secures hundreds of UK jobs - Defence Equipment & Support \(mod.uk\)](#)
6. [Department for Business and Trade, Steel Public Procurement 2023](#)
7. [Department for Business and Trade, Public Procurement Notice for Steel PPN 04/23](#)

CONCLUSION

UK Steel and its members stand ready and willing to play our full role in supplying the materials needed for our national defence priorities and security. The aim of developing and sharing this capability review and policy recommendations 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.

UK Steel is the trade association for the UK steel industry and champions the country's steel manufacturers.

We represent the sector's interests to Government and promote our innovative, vibrant and dynamic industry to the public.

Together, we build the future of the UK steel industry.

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