

News story: CMA recommends release of BAES from long-standing undertakings

The undertakings – put in place in 1999 – require BAES as the prime contractor to, where possible, allow other contractors in the defence industry access to its resources for the purposes of a Ministry of Defence (MoD) programme.

A group of independent panel members at the Competition and Markets Authority (CMA) has now [advised the Secretary of State](#) for Business, Energy and Industrial Strategy (BEIS) that changes of circumstances mean they are no longer appropriate. This follows a comprehensive review and consultation on the proposal they be removed.

The review looked at 4 defence sectors (warships, submarines, combat aircraft and munitions) and found that there have been relevant changes of circumstances. For example:

- the MoD has moved away from a competitive procurement process and made better use of long-term exclusive agreements and alliances;
- BAES has sold or closed its businesses in several sectors; and
- the capabilities of other defence contractors have developed such that any potential reliance on BAES has diminished.

This has meant a smaller role for the prime contractor model where competing suppliers might need to use the undertakings to facilitate access to BAES' resources. The group's view is that there is also little prospect of this situation changing in the foreseeable future.

The [CMA began reviewing these undertakings in July 2016](#) after a request by BAES. The undertakings were originally given by British Aerospace plc (now BAES), to the then Secretary of State for Trade and Industry, following its merger with the Marconi Electronic Systems business of General Electric Company plc, in 1999. Following Office of Fair Trading (OFT) reviews, the Secretary of State released BAES from most of the undertakings by 2007.

The remaining undertakings were designed to allow other actual or potential prime contractors to compete for contracts where they might need to sub-contract BAES' resources. BAES has also been obliged to appoint a compliance officer to ensure this requirement is met. The group has now advised that BAES should be released from these remaining undertakings.

The Secretary of State for Business, Energy and Industrial Strategy will now consider this advice and is expected to make a decision shortly.