



Department for
Business, Energy
& Industrial Strategy

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Our ref:
Your ref:

28 May 2021

Dear Tom,

Foreign Affairs Committee questions on Newport Wafer Fab

Thank you for your letter of 20 May on behalf of the Foreign Affairs Committee, regarding Newport Wafer Fab.

I recognise Newport Wafer Fab's value as a company and its contribution to consortia based at the South Wales Compound Semiconductor Cluster. The Government is committed to the semi-conductor sector and the vital role it plays in the UK's economy. The Welsh Government has also previously provided financial support to the company since economic development is devolved and therefore the responsibility of the Welsh Government.

While the Government has powers to intervene in matters where a public interest is engaged under the Enterprise Act 2002; and for reasons of possible risk to national security under the National Security and Investment Act 2021, once it commences; it is right that commercial transactions are primarily a matter for the parties involved.

The Government has been in close contact with Newport Wafer Fab but does not consider it appropriate to intervene at the current time. We will continue to monitor the situation closely and will not hesitate to use our powers should the situation change. As I am sure you will appreciate, I am not able to comment on the detail of commercial transactions, or of national security assessments.

I am copying this letter to the Chair of the BEIS Select Committee, Darren Jones MP.

Yours sincerely,

RT HON KWASI KWARTENG MP
Secretary of State for Business, Energy and Industrial Strategy



Foreign Affairs Committee

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From the Chair
Tom Tugendhat MP

20 May 2021

Rt Hon Kwasi Kwarteng MP
Secretary of State
Department for Business, Energy & Industrial Strategy
1 Victoria Street London
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Dear Secretary of State,

I am writing to urgently clarify why BEIS has advised that the forced takeover of Newport Wafer Fab by a Chinese-owned company will not be called in under the National Security and Investment Act.

Based in South Wales, Newport Wafer Fab (NWF) is the UK's leading 200mm silicon semiconductor technology development and processing facility. It is the UK's most advanced power semiconductor chip foundry and possesses strategically valuable advanced photonics processing capability. NWF lies at the heart of the South Wales Compound Semiconductor Cluster, which has benefitted from significant government backing in recognition of its status as a major UK technology hub.

As a result of a commercial supply agreement issue, NWF is being targeted for a forced takeover by Nexperia, which is a 100% Chinese-owned electronics manufacturer. On 8 March 2021, two directors from Nexperia were appointed to the board of Newport Wafer Fab.

I understand that you have advised NWF that the completion of this transaction would not trigger a call-in under the National Security and Investment Act and that this is a matter for the Welsh government, even though competition law is not a devolved matter.

Semiconductors underpin almost every major industry of the 21st century. They are critical to our economic and national security. The ongoing semiconductor shortage has caused considerable global disruption, and the supply problem is particularly acute for 200mm wafers. As a result, we have seen security of semiconductor supply become a significant source of competition between countries and industries. The US is reviewing the resilience and dependence of its semiconductor supply chains as a national security imperative.

Newport Wafer Fab is one of the UK's few remaining semiconductor manufacturing facilities. Given the strategic criticality of semiconductors and the importance of the UK tech sector for self-sufficiency underpinning our industrial base and R&D capabilities, please could you advise why the government considers that this transaction does not constitute a matter of national security.

It would be helpful to receive a response as early as possible. I intend to place this letter and your response in the public domain.

Best wishes,

TOM TUGENDHAT