



Ministry  
of Defence



4.8.1.2

3 August 2021

Dear Tobias,

Thank you for your letter dated 6 July 2021, relating to Cobham PLC. Advent International's acquisition of Cobham was subject to very close scrutiny by the Government using powers under the Enterprise Act 2002. Following a review by the Competition and Markets Authority in 2019, Advent and Cobham provided statutory undertakings covering:

- a) Protection of Information. Reinforcing the commitment to existing 'List X' security arrangements protecting security sensitive HMG information and IP in Cobham.
- b) Continuity of Supply. A commitment to maintain the capabilities, including assets, facilities and knowhow, required to meet key contractual obligations to Government.
- c) Prior notice of sale. Advent were committed to giving the Government prior notice of plans to sell the whole, or elements of Cobham.

Officials maintained engagement with Advent and Cobham after the acquisition and, in accordance with the undertakings, the company provided advanced notice of its plans to divest UK businesses. The subsequent sales of parts of the Cobham business did not raise national security concerns, and where necessary the Defence Secretary has obtained security of supply and security of information commitments from the US companies that acquired UK-based elements of Cobham from Advent. These are established companies with experience of operating in the Defence, Aerospace and Electronics sectors and have given assurance that they intend to hold onto these purchases over the long term and want to build their operations in the UK. The new National Security and Investment (NSI) Act will provide further protections by requiring the new owners to give advanced notice of any subsequent transactions.

**The Rt Hon Tobias Ellwood MP**  
**Chair, Defence Committee**  
**House of Commons**  
**London**  
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Advent also made separate economic commitments to the Business Secretary, relating to jobs and investment, who has also secured similar commitments from the new owners of the former Cobham businesses in the UK.

On the specific points raised in your letter:

1. *Does the UK Government believe that key aerospace and defence technologies should be UK owned?*

As an open economy we welcome foreign trade and investment where it supports UK growth and jobs and does not present national security concerns. As MinDP outlined in his evidence to the Committee's Inquiry on Foreign Involvement in the Defence Supply Chain last December, the UK has benefitted substantially from foreign investment into the defence sector. This plays an important part in providing access to international programmes, high-end technology and partnerships that deliver capability for our Armed Forces and in creating opportunities for the UK supply chain. We take a risk-based approach to scrutinising transactions across key sectors including aerospace and defence to ensure that our national security interests are protected. The mandatory notification regime in the new National Security Investment Act covers 17 key sectors, including Defence and Military and Dual Use, which will give substantive oversight of the aerospace sector.

2. *What assessment has HMG made of the impact on UK defence capability resulting from the break-up of Cobham.*

Each of the sales were assessed for national security concerns and the sale of UK elements of Cobham has had no impact on UK defence capability.

3. *What are the risks of UK intellectual property in defence being sold to companies based overseas?*

The UK has a range of measures, which are not linked to ownership, in place to protect sensitive information and restrict access to appropriately cleared personnel. These may include limiting access to British citizens only or requiring work to be carried out within 'List X' cleared facilities. Ensuring that these protections will be maintained following a change of ownership is part of the national security assessment.

3. *Does the break-up of Cobham PLC illustrate the risks of HMG approving, without adequate scrutiny, purchases by PE groups into the UK defence sector?*

Advent International's acquisition of Cobham was subject to detailed scrutiny by the Government using the powers in the Enterprise Act (2002). In September 2019, the Secretary of State for Business, Energy and Industrial Strategy announced that the Competition and Markets Authority would review the potential acquisition and take representations from third parties and relevant government departments, which included Defence. The proposed undertakings offered by the parties were subject to consultation before being accepted by the Business

Secretary as statutory undertakings on 20 December 2019. The undertakings were published at the time and included an obligation to notify the government of any subsequent sale of the business to allow for an opportunity to address any potential implications for government customers. As mentioned above, this further assessment was carried out.

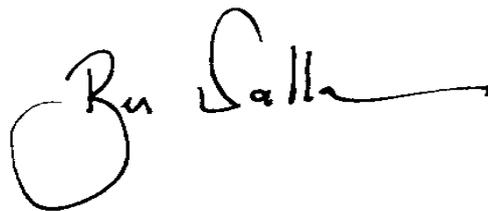
5. *What steps will HMG take to ensure that other UK companies in the Defence sector are not broken up in the same way as Cobham?*

Companies in the defence sector, as in other parts of the economy, need to have the ability to evolve to respond to external changes. Mergers and acquisitions are an important element in the process. The government has announced a series of changes to strengthen its powers to intervene where necessary. These include the introduction of the New National Security and Investment Act and the formation of the new Investment Security Unit within the Department for Business, Energy and Industrial Strategy. These represent the largest changes to the UK's investment security regime in twenty years.

I greatly welcome the Committee's continuing interest in this area. The Integrated Review recognised the growing risks from the use of a range of economic levers by competitor nations. Within Defence, we are increasing the resources committed to this area, through the creation of a new Directorate of Economic and Investment Security.

I hope this reassures you of our commitment to addressing the types of risks that the Committee highlights.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ben Wallace', with a large, stylized initial 'B'.

**THE RT HON BEN WALLACE MP**