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December 22, 2025

Defence Industrial Strategy and Exports (DISE) Team
Ministry of Defence
Whitehall
London SW1A 2HB
United Kingdom

Dear Sir or Madam,

We are writing on behalf of defence companies BritishAmerican Business (BAB) proudly represents, to contribute to the consultation on the proposed offset regime under the Defence Industrial Strategy. The companies that we represent are committed to the UK - US relationship that is critical for defence, security, and economic growth. We underscore the vital role U.S.-headquartered defence companies and their longstanding UK-registered subsidiaries play in the UK's defence industrial base and the need to ensure that an offset policy, if adopted, does not harm this partnership, delay programmes, or inadvertently deter established UK-based investment. Industry welcomes constructive engagement with the MOD to design an effective offset policy that draws on evidence and international best practice.

U.S. defence firms are deeply embedded in the UK defence sector, with investment supporting over 110,000 UK jobs, approximately £5 billion spent annually in the UK supply chain, and providing advanced capabilities that directly enable UK military readiness such as the F-35, Apache, and guided munitions.[1] Their presence is a strategic asset for the UK's defence posture and for the resilience of its industrial base.

While an offset policy can be a useful tool to stimulate domestic industry, it also could deter investment by US companies that already invest significantly in the UK unless there is a clear

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[1] https://www.babinc.org/wp-content/uploads/Stronger-Together-BAB-Defence-Whitepaper-Web.pdf

definition of which companies are in scope, competitive tenders and equal treatment in procurement, and that the nature of the secondary benefit obligations are reasonable, proportionate, and deliverable.

It is critical that the MOD provide clear guidance to companies on these aspects if an offset policy is adopted, including how offsets will interact with the UK's existing Social Value framework to ensure complementarity rather than duplication or conflict. Notably, an offset policy is not required to receive or request industrial development in the UK. The MOD has a spectrum of alternative interventions that can be used, including international treaties and consortium collaborations, exemplified by the F-35 and AUKUS, and the option to request industrial development projects as part of the procurement without the need for a formal offset policy, of which successful examples exist around the world.

The Ministry's goals to strengthen the UK industrial base and ensure resilient, sovereign capabilities are fully supported. However, these objectives must be balanced with preserving the substantial value that US defence companies and their UK-registered subsidiaries - that employ UK workforces and pay UK taxes - already bring to the UK. A well-designed offset framework can help achieve these aims, provided it is guided by clarity, predictability, and proportionality.

To that end, we recommend that any offset regime:

- Establish a clear definition of a "UK company," grounded in UK registration, UK employment, and UK tax presence, so that longstanding UK embedded entities are not treated as "foreign." UK-headquartered firms should also be considered for an offset requirement based on the makeup of their supply chain, so the MOD must define what constitutes a UK supplier, an overseas supplier, and then map the supply chain flows that trigger an offset requirement.
- Avoid procurement delays by ensuring offset requirements do not slow competitions, source selections, contracting, or approvals.
- Be properly resourced administratively, with published service levels for approvals, credit recognition, and validations—supported by a digital portal and transparent audit trails.
- Align coherently with the UK's Social Value framework so that offset obligations reinforce rather than displace existing high-value social and industrial contributions.
- Focus on measurable defence outcomes, including accredited UK sustainment capacity (e.g., MRO), second-source development, workforce skills, and secure digital sustainment, with clear baselines, milestones, and auditable metrics.

- Calibrate obligations to be proportionate and feasible relative to contract size, market capacity, and realistic aerospace accreditation timelines, avoiding frontloaded guarantees that inflate bids.
- Include flexibility under MoD oversight to re-scope offset projects where conditions change, while maintaining compliance and delivery against agreed outcomes.

We also encourage the MoD to draw on international good practice—such as longer performance windows where aerospace accreditation and first article approvals are required; credit banking to incentivise early investment; and clear publication of valuation rules, multipliers, and dispute processes—to underpin confidence and reduce execution risk.

We appreciate your consideration of our submission, and we stand ready to work with the Ministry of Defence to support an offset approach that strengthens UK defence outcomes, sustains investment and jobs, and preserves value-for-money for the taxpayer.

Sincerely,

Duncan Edwards

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