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Our Ref:FOI2016/12050

[REDACTED]
Thank you for your email dated 7 December 2016. You asked:

[Why] the former HMS illustrious was sold to a turkish scrapyard for some 2.1 million pounds When a private entrepenu had made a firm offer of some 5 million pounds and for a full and open explanation as to the reason(s) for this

I am treating your email as a request for information in accordance with the Freedom of Information Act 2000 (FOIA). A search for the information has now been completed within the Ministry of Defence (MOD), and I can confirm that information in scope of your request is held.

It might be helpful if I first explained that HMS Illustrious retired from service with the Royal Navy on 1 August 2014. In October 2013 the Disposal Services Authority (DSA), part of MOD, announced a competition to seek innovative reuse bids to retain the ship in the UK, with part or all of it developed for heritage purposes. This competition was completed in November 2015 but no suitable bidder was identified. Disposal by recycling, while regrettable, was the only viable option left.

Consequently, in May 2016 the DSA launched a second competition to recycle the ship but which included caveat to consider further heritage bids. However, no heritage bids were received. On 23 August 2016 the MOD announced that a contract, worth around £2million, had been awarded to a Turkish company, LEYAL Ship Recycling Ltd.

On 26 October 2016 the MOD received an outline proposal from a business consortium to purchase the former HMS Illustrious as a heritage asset. The MOD considered the merits of the outline proposal and concluded that they were not sufficient to cancel the sale of the vessel to LEYAL. I would add that the consortium tabled a caveated offer of £3M to purchase Illustrious. The proposal explained that the consortium was prepared to invest a further £12M for subsequent refurbishment but this latter sum would not be paid to the MOD.

The offer on the table was to purchase *Illustrious* for £3 million but this was conditional on meeting the 'reasonable costs' of reimbursing Leyal if the current sale contract was cancelled and the restoration of equipment removed from the ship.

In the case of the former, we could not predict what Leyal might consider reasonable and in the case of the latter this would simply be impractical. As part of the decommissioning process all equipment that was either classified (such as on-board communications) or could be used to support other MOD platforms or projects was removed. In particular, the ship's engines were dismantled early on in the process to provide spares support for in-service RN warships. It would be almost impossible to quantify the cost of restoring the ship to anything like its original condition bearing in mind *Illustrious* was a non-operational vessel and had no power or means of propulsion.

In addition, any delay to the departure of *Illustrious* from Portsmouth would have increased the risk that *Illustrious* would remain in her current berth over the coming winter which would incur additional maintenance costs for the MOD.

The consortium offered the MOD an additional £1 million for the purchase of the ship but there were too many variables in play and the financial risk to the MOD of undertaking to commit to discussing this proposal was too high. This was compounded by the fact that the MOD subsequently received a second, and rival, proposal from another business consortium for the reuse of *Illustrious* which the MOD would have had to treat in an equal and fair way, making some of the conditions suggested by the first consortium unworkable. Both proposals simply came too late in the process to be properly considered as viable options.

Recycling was the only viable option available and consequently the MOD honoured its sale agreement with LEYAL.

If you are not satisfied with this response or you wish to complain about any aspect of the handling of your request, then you should contact me in the first instance. If informal resolution is not possible and you are still dissatisfied then you may apply for an independent internal review by contacting the Information Rights Compliance team, 1st Floor, MOD Main Building, Whitehall, SW1A 2HB (e-mail CIO-FOI-IR@mod.uk). Please note that any request for an internal review must be made within 40 working days of the date on which the attempt to reach informal resolution has come to an end.

If you remain dissatisfied following an internal review, you may take your complaint to the Information Commissioner under the provisions of Section 50 of the Freedom of Information Act. Please note that the Information Commissioner will not investigate your case until the MOD internal review process has been completed. Further details of the role and powers of the Information Commissioner can be found on the Commissioner's website, <http://www.ico.org.uk>.

Yours sincerely



Secretariat
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