

Written evidence submitted by GKN Aerospace

1. GKN Aerospace is a leading global tier one supplier of aerostructures and engine systems. We supply products and services to a wide range of commercial and military aircraft and engine prime contractors. Therefore our interest in this inquiry is ensuring a well-functioning defence industrial base and market in the UK that contributes to the integrity and security of the UK and supports prosperity for the whole of the UK.
2. When this inquiry was initially opened in autumn 2019 GKN Aerospace submitted evidence, however it felt appropriate to refresh our evidence given the significant political and economic changes since the initial call for evidence.

About GKN Aerospace

3. Headquartered in the UK, GKN Aerospace operates in 15 countries and across 50 manufacturing sites, with a current workforce of 18,000. We have outstanding technology and significant engineering and defence heritage here in the UK where our workforce of 3900 are predominantly in manufacturing and production. With a major UK technology and manufacturing presence, GKN Aerospace UK has successful partnerships in support of key defence platforms including F35, Typhoon, CH47, A400M and C130.
4. As a result we recognise the value which the defence industrial base provides – most importantly to the sovereign capability of a nation as well as bringing significant economic and technological benefits to a home country. As part of the UK Defence Solutions Centre we are committed to the need for a ‘Team UK’ approach to grow UK defence capability and exports – and recognise the responsibility on industry to play our part.

Need for a more proactive approach to prosperity through procurement

5. The agreement on the need for a UK defence industrial strategy was a positive step from the Ministry of Defence (MOD). We have welcomed the shift in emphasis and approach by MOD towards UK prosperity and the recent work done to develop a defence and security industrial strategy (DSIS), before the coronavirus outbreak. In order to be effectively implemented and measurable a new DSIS strategy should contain deliverables, be more specific and time bound than previous iterations.
6. Defence’s role in UK national prosperity will be more important than previously, as the UK government and industry develops an economic recovery plan from the coronavirus crisis. While the full economic impact is not yet known, the severity of the slowdown is indicated by economic forecasts and immediate measures like take up of the coronavirus job retention scheme. Of particular relevance to defence, is the very significant downturn in civil aerospace – as much of the defence aerospace supply chain also supplies to commercial aerospace programmes.
7. Defence programmes will be vital to maintain production and manufacturing capability and jobs in the UK industrial base, particularly until a full recovery in the civil aerospace market which may take several years. Continued commitment to exceeding the 2% of GDP spent on defence and the annual budget uplift promised in the Conservative manifesto as a minimum is vital and where possible investment should be pulled forward to maintain cashflow and capability in the defence industrial base.

8. Taking place on the other side of the immediate coronavirus crisis the Integrated Review and publication of a refreshed defence and security industrial strategy, must take a much more proactive approach to domestic technology development, investment and production through UK programmes. The need for this is more urgent in the light of the economic crisis caused by Covid-19 and action will be needed imminently in the coming months, if we are to maintain defence supply chain capability given how many companies are at risk.
9. Urgent as it is now, this more proactive approach has also been a long-standing, important request of the defence industrial base based on changing nature of the defence market and UK procurement – as evidenced by the findings and conclusions of the Dunne Report. From our presence in international defence markets we see other approaches and the prosperity benefits to those nations – and would support the UK being more proactive through an overt defence prosperity agenda.
10. A more proactive defence prosperity agenda that could benefit UK jobs and investment is particularly important because of two developments in the defence market. Firstly, the need to secure international partners for major acquisitions – in which, rightly, partner countries will also seek a domestic industrial share. Secondly, the growing use of single source procurement, for which industrial participation and wider UK value must be a clear, competitive criteria. A defence industrial strategy and more proactive approach to procurement should help direct government's role as market actors to ensure that defence investment – from early stage R&D to service entry or sustainment – delivers both on service or capability and prosperity.

Develop a clear definition of prosperity and ensure value for money methodology takes account of long-term benefits

11. Lack of clarity about the definition of 'prosperity' within procurement is unhelpful for government and companies as well as risking the UK economy missing out – either because it's not clear how companies demonstrate their contribution, or how government accounts for long-term economic benefits through procurement. There needs to be an agreed definition of prosperity developed, as well as a wider review of value for money in line with the Dunne Review recommendations, and the Treasury's Green Book. This would allow procurement decisions to be made taking into account the value to the economy through the lifecycle of a capability, including commitments to UK production and technology development which delivers UK prosperity.

Improve engagement with industrial base and give clarity about technology and investment priorities

12. For a proactive approach to prosperity there needs to be understanding and clarity about areas of UK industry specialism and UK priorities for sovereign capability and technology development.
13. Firstly, the industry contribution. There UK corporate investment to develop and industrialise technology is hampered by a lack of clear information on technological requirements and clarity about rules of engagement. Given the long lead times for investment and technology development an effective and trusted mechanism for sharing information on R&D and strategic priorities is needed, as engaging with companies can help develop Team UK's offer and UK prosperity. This requires more innovation, design and manufacturing work within the supply chain. Therefore a defence industrial strategy and proactive approach to procurement needs to allow ideas and innovations flow 'up'

from within the supply chain; as well as allow information about the direction for government sovereign capabilities priorities to flow to companies too.

14. To ensure MOD is getting the best technology available and that UK investment grows the value chain, there will need to be engagement with the supply chain. Specifically, that to be confident to invest, companies need clarity about the UK's priority sovereign capabilities, the roadmap to develop these and how to get involved. For those without prior experience in the defence world, it can be a difficult sector to navigate. This information for companies – on the UK's technological priorities and capability requirements – and the teams of people working on such projects needs to be more accessible. This should be put in place rapidly, as lower demand in civil aerospace currently means there will be capacity within the wider aerospace sector to develop technology, but government must move quickly to give companies confidence by signalling government investment and backing.
15. For example, in civil aerospace companies set out innovation and company strategy annually and with regular follow ups, under NDA, to the Aerospace Technology Institute – the arms-length industry-government technology funding body that sets UK civil aerospace technology strategy annually. This is to discuss areas of co-investment, supply chain collaboration and a company's contribution to the UK's total civil aerospace strategy. A similar mechanism is needed for companies to share R&D strategy and investment direction with MOD, DSTL, capability leads and others.

Economic benefits from spillover into other manufacturing and technology sectors

16. More collaboration with wider aerospace would support UK prosperity. Developing cutting edge technology will be most effective if it utilises the best of UK innovative assets. We see scope for much more collaboration between defence & civil aerospace. The success of the Aerospace Technology Institute in fostering co-investment in civil R&D is unique to the UK – from our experience in other national ecosystems. There is already a co-investment model in civil and examples of spill over benefiting the UK (GKN Aerospace UK examples below). A refreshed defence industrial strategy would benefit from greater crossover between Defence Growth Partnership and the Aerospace Growth Partnership, DASA and the ATI – and grow the return from public and private investment.

UK spillover success story – composites

GKN Aerospace UK designed and built the first large aircraft composite spar for the A400M.

Technology and process developed for A400M programme, helped GKN Aerospace win work on the rear spar on the commercial A350 platform.

A new, £235m state of the art facility was opened in 2012 at Western Approach, near Bristol, for the A400M and A350 products now employing over 400 people.

UK spillover success story – ice protection

The ice protection technology developed by GKN Aerospace in the UK for military rotorcraft, helped win ice protection work for the business on civil platforms in the UK.

GKN Aerospace in Luton, a facility that employs over 300 people, now provides ice protection for major civil and defence platforms.