

Make UK - Written evidence (IUD0006)

“Implications of the war in Ukraine for UK Defence”: submission by Make UK Defence to the House of Lords International Relations and Defence Committee Inquiry (April 2024)

1. Part of Make UK (the former eef), Make UK Defence (“MUKD”) has a unique place in the UK Defence Supply chain. We are the only UK Trade Association entirely focused on defence. Importantly we cap our subscriptions with the big MOD Prime contractors; this means we can be very direct in our interactions with those Primes and of course the MOD itself, which enables MUKD to be the true voice of our nearly 500 SME and mid-tier defence suppliers, as we are not reliant on a small number of big subscribers to survive. In fact, we have doubled in size in the last few years and last year alone grew our financial turnover by 25%.
2. Our mission is:
 - a. to maintain a deep understanding of our members and their challenges, within the context of the domestic and global defence industry;
 - b. to celebrate the success of the full UK defence supply chain, whilst ensuring our members’ challenges and concerns are clearly heard and acted upon in Government and by the Defence Primes;
 - c. to help our members grow through networking and “Meet the Buyer” opportunities;
 - d. to provide our members with true competitive advantage through our business and people development programmes.
3. We are pleased to have the chance to share that understanding and ambition with the Committee in this submission. As a manufacturing trade body, we take no collective view on the broader strategic implications of the war in Ukraine nor the future significance of individual weapon systems, so this submission largely focuses on addressing Qs4 and 11. Nor is it possible to anticipate now how the Prime Minister’s firm commitment of 23rd April 2024 to reach 2.5% of GDP’s being spent on defence by 2030 might lead at some point to potentially welcome changes in defence procurement, priorities and practice, for MUKD members in particular.
4. Against the backdrop of the reality now (and possible future, in any protracted state-on-state war) that Ukraine has become a war of attrition, focused on the cost and quantity of people and equipment, where cheap

and available now may well prove better than expensive, high performing and late, we offer the following reality check in terms of increasing the sustainability and resilience of the UK defence-industrial base, derived mainly from experience with munitions production.

5. *Time to ramp up production:*

- a. People: 3 months (recruitment) to 3 years (training) depending on complexity of role
- b. Machines: 1 year lead time, noting these are typically imported
- c. Facilities: 2 year lead time
- d. Materials: Varies from ~2 weeks to 18 months

6. *Capacity:*

- a. Businesses specialise in areas, e.g. missile fin actuation. If that product group, e.g. missiles, is suddenly in global demand, there are likely to be substantial bottlenecks in the lower tier supply chain
- b. Single points of failure from the above chain

7. *Cost:*

- a. Holding capacity costs money. Can be funded via capability/capacity charge, as happened of late with long term ammunition contracts placed with BAE Systems
- b. Cheapest stock holding is in unfinished goods/raw materials
- c. Shortest lead time is in finished goods
- d. Defence planning assumptions should consider *entire* supply chain and time to backfill stock, not just then "what do we need to stockpile to fight a war of x size / complexity"

8. More broadly, in the response to Q11 and on the twin themes of urgency and innovation, Make UK Defence believes that the latter is done fastest, or almost exclusively carried out, by SMEs and not Primes

- a. Speed of development loops could be key to winning a war, epitomised by Ukraine deploying software-coding staff to the front line to test equipment and functionality live
- b. The equipment Armed Forces think they need (or want!) is rarely the equipment actually needed, for example platforms described as "sunset technology" just two years ago, such as main battle tanks, have never been in greater demand
- c. MOD's existing procurement processes (months to years) are completely unsuitable for (near) war time needs; the jury is inevitably out on the welcome if brand new (two month old) Integrated Procurement Model in this respect - and more attention should be paid to the selective use of Urgent Capability Requirements (formerly UORs) to fill obvious capability gaps.

9. Finally, Make UK Defence is unrepentant about advocating a much more focused "Buy British" policy from MOD and its Primes, incentivised through Social Value (in essence, sustaining British jobs, communities, technological advance and export potential) measures, with a matching change in MOD/Whitehall mindset. In practical terms, this often means appropriate access, to release massive SME and mid tier potential.

10. In the specific case of Ukraine, we were disheartened by the situation which obtained until relatively recently whereby member companies wishing to help Ukraine were being directed to the Department for Business and Trade, with MOD themselves seemingly unable to engage, as if the transfer of military hardware to help a war was akin to run-of-the-mill business exports. Imagine too our sense of disappointment when we were not represented on an MOD/BTB defence trade mission to Ukraine in early April.
11. More generally, the Committee is also invited to note especially in the light of the Prime Minister's firm 2.5% pledge the following stat, extracted from the MOD's official trade, industry and contracts bulletin updated in February 2024, namely: that fully 37% of MOD procurement expenditure was with its top ten suppliers in 2022/23. Make UK Defence members expect better, fairer access to that growing pot.

23 April 2024