

# Written evidence submitted by ADS (ISD0025)

## ABOUT ADS

ADS is the trade association advancing the UK's aerospace, defence, security and space industries. ADS has more than 1,100 member companies across all four sectors, with over 95% of these companies identified as Small and Medium Size Enterprises (SMEs).

The UK is a world leader in the supply of aerospace, defence, security and space products and services. From technology and exports, to apprenticeships and investment, our sectors are vital to the UK's growth – generating £78bn a year for the UK economy, including £44bn in exports, and supporting over 1,000,000 jobs.

## SUMMARY

- ADS welcomes the Government's commitment to conduct a wide-ranging national security review that encompasses the full spectrum of capabilities available, from hard military power to soft diplomatic influence, in the face of an ever-evolving strategic threat picture driven by technological change.
- The UK's defence and security industries should be considered core delivery partners for the Integrated Review, given the role our sectors play in supplying critical capabilities to the UK's Armed Forces and wider National Security community and the unique perspective industry has on anticipating and embracing technological advancements.
- Industry welcomes the cross-Government nature of the Integrated Review, given the cross-cutting nature of many of the threats the UK today faces. It is vitally important that there is meaningful strategic engagement with industry on the Integrated Review, both in terms of its development and implementation. This should make full use of existing channels for engagement, such as the Defence Suppliers Forum and the Security and Resilience Growth Partnership.
- The Covid-19 pandemic is significantly changing the political, economic and security context of the Integrated Review and industry fully understands and supports any decision taken by HMG to delay the process. The defence and security sectors have been supporting the national effort to manufacture more ventilators and PPE and supporting logistics and data analytics work. After the pandemic abates our industries will continue to work in partnership with HMG to adjust to the new reality in support of UK national security and prosperity.

## INQUIRY QUESTIONS

### **1. *What is the purpose of a security, defence and foreign policy review?***

From an industrial perspective, an Integrated Review (IR) should establish a vision of the UK's place in the world, offer a forward-looking view of the threats and opportunities facing the UK; how government, society, industry and academia can all work together to make the UK the safest place in the world to live and work; and opportunities for international collaboration on information sharing, operations and capability delivery. As part of this, the IR should review HMG's current assessment of the likelihood and impact of the full spectrum of risks facing the country, ranging from hostile state activity to emergencies of the order of the current COVID-19 crisis, and give strategic direction to industry as to how it can help deliver that vision over the next five years.

The Integrated Review offers a unique opportunity to consider the whole spectrum of resources at the disposal of the UK, from diplomatic soft power through to military kinetic effect. By signalling that no areas are out of bounds for the IR, it can provide a real step change in how the Government will work with its partners, including the defence and security sectors, which is essential if the UK is to keep pace with rapidly moving technological advances and an evolving global threat picture.

Industry welcomes the opportunity to consult on the development of an IR and to support with the long-term delivery of the work. The UK's defence and security sectors work closely with the UK's Armed Forces and wider national security community to equip them with the capabilities they require

to keep the UK safe, and so industry should be considered an integral delivery partner of the IR's strategic vision.

From a UK industrial perspective, the IR should give guidance and direction on the UK's capability priorities and force structure in future years. A vision of what the UK's Armed Forces and national security apparatus will look like in the future will help inform industry and provide understanding on what Government hopes to achieve in strategic terms. This should be an ambitious vision that offers a challenge to industry to support with world-leading technologies and sets the engagement methods through which industry can meet that challenge.

Alongside this, industry will use the IR to gauge the scale of the UK's global ambition for the coming decades. Industry requires long-term certainty on the Government's capability needs and subsequent financial decisions to underpin industry's own long-term investment decisions, as we ready ourselves to provide the UK's Armed Forces and national security community with the capabilities required many years from now.

Finally, the Integrated Review provides an opportunity for the Government to review how its departments are aligned and organised to address cross-cutting national security issues. In several areas (for instance, on innovation in the national security space) there are departments with overlapping responsibilities and this can cause duplication, confusion and inefficiency. The review should consider the development of improved structures for coordinating and adding value to the UK's national security efforts. One positive example in this area that industry supports is the initial work taking place to create the National Security Technology and Innovation Exchange (NSTix). The Integrated Review should drive forward initiatives such as this.

## ***2. How often should a review be scheduled and how should different aspects be sequenced?***

Industry believes that the current alignment of an IR with national strategic milestones or fiscal events is pragmatic and appropriate. There should be as much coherence between an IR and any Comprehensive Spending Review (CSR) as possible and their scheduling should be carefully considered.

Industry would support an approach based on a fiscal event followed by an IR or SDSR on a five-year basis, when appropriate. This would provide financial stability and direction to industry and ensure that, as much as possible, important national capability announcements are tied closely to funding decisions. At a minimum, a five-year view ahead is critical to give industry a clear vision to plan around.

Where recent major reviews (e.g. the National Security Capability Review) have been out of sync with the fiscal calendar, this has made it challenging to make meaningful decisions on capability requirements and this should be avoided in future.

## ***3. What leadership, personnel and decision-making structures are required to ensure a review is effective?***

An effective IR must be delivered through a 'Whole of Government' approach and therefore it is vital that it has cross-Government buy-in from all relevant departments. This should recognise how the delivery of national security and resilience can only be achieved through a cohesive, cross-departmental approach. Our sectors work closely with key departments such as the Ministry of Defence and the Home Office, but the growing challenges facing the UK (whether that be the rise of hybrid warfare or the climate change challenge) require focus from multiple departments.

While it is important that the responsibility for the IR is held centrally, steps must be taken to ensure that the wider process of consultation with external stakeholders (including industry, as well as academia and other partners) is appropriately prioritised and resourced. A small central team will ensure that the work is taken forward in a coordinated fashion, but they will also face resourcing challenges in engaging with external stakeholders; other government departments should be utilised to conduct their own engagement activities and then report back. Where possible this work should also engage the Treasury at an early stage to ensure that the process is joined-up.

**4. What is the purpose, and appropriate scope, for cross-Government collaboration in the review process? What is the best way to ensure it is effective?**

Given that the intended scope of an IR is to consider the UK's national capabilities, ADS believes that cross-Government collaboration should both be deep and wide. When considering the UK's national security challenges, these do not simply affect the Government but also cut across the Critical National Infrastructure and the wider private sector. It is, therefore, important that every area of Government with responsibility for delivering against an IR, whether in the short or long-term, is consulted and included in the Review.

With the wide range of departmental activity that this will necessarily entail, it is vital that the central coordination and leadership is strong. Industry believes that the Cabinet Office should retain this function, with guidance from the Prime Minister and the National Security Council.

For the purposes of continued communication with industry, ADS would welcome an arrangement whereby each senior departmental lead for the Review formally appoints a senior industrial liaison responsible for communication and consultation. More broadly, ensuring effectiveness requires an approach that values dialogue over timescales. It is important that all stakeholders are given the bandwidth and time to discuss these extremely important issues and capability decisions.

On a separate point, it is important for the Department for International Trade (DIT) to be involved in the Integrated Review. The department was not mentioned in the initial scope of the review but UK defence and security exports make a major contribution to the UK's prosperity and underpin our global influence. Defence and security exports should therefore be considered as a core part of the UK's diplomatic toolkit and an important contributor to the Global Britain agenda. DIT and DIT's Defence and Security Organisation (DSO) should therefore play a part in the Integrated Review.

**5. What methodology and analytical capability is required to ensure that assessments of threats and risks to the UK are future-proofed?**

Organisations such as the Joint Intelligence Organisation have taken welcome steps in recent years to consult with external partners in the think tank and academic community. While the sensitive intelligence available to the Government through its agencies is unparalleled it is important that assumptions and accepted truths about the global threat picture are tested with trusted external partners, including industry itself, to protect against the risk of groupthink and culture capture.

The UK's defence and security sectors conduct their own assessments of threats and risks daily and can often tap into sources of information that are not readily available to the Government. In addition, our sectors are sometimes active in parts of the world where the Government does not have a substantial presence. By working together through formalised channels to share sensitive threat information, the Government can ensure that the conclusions its analytical bodies reach are robustly tested and thereby future-proofed.

**6. How should such an assessment be communicated and to whom?**

Industry is key to delivering the nation's defence and security objectives. As a priority, the UK must find a way to have secure and trusted conversations between the Government and industry on these strategic topics.

The primary cross-industry engagement method for communicating with the Defence industry is the Defence Suppliers Forum (DSF). For the security industry, strategic discussions are held through the Security and Resilience Growth Partnership.

These mechanisms work well for wide, below-Official Sensitive industry engagement and are ideal mechanisms to begin conversations about such assessments at a strategic level. However, in order to fully assess the threats to the UK at a level that industry can then share cutting-edge technology solutions for there is a need for formalised, trusted channels for the exchange of sensitive threat information and future capability planning. The need for secrecy in national security issues is paramount, but excessive secrecy on strategic issues can lead to confusion and frustration on both sides.

This communications route should be kept open constantly and used for future R&D and capability planning, becoming standard practice for good Government – Industry dialogue. However, in times when a Review is scheduled, these routes can be used to host these discussions as well.

**7. How should existing and in-development defence capabilities be reviewed? Do assessments of equipment, non-equipment and personnel require different approaches?**

The review of in-development capabilities is an important part of keeping capabilities relevant and coherent with the current and future portfolio. However, the process of reviewing these capabilities should not subject these projects to unnecessary uncertainty or delay that would lead to overruns and inefficiency. Any delays or cancellations to already highly complex programmes could affect the confidence of companies to invest in the UK, now and in the future, given the investments they will have already made in pursuing those programmes.

ADS believes the process of reviewing equipment, services and personnel should have tailored criteria based on the element that is under review. ADS would welcome the opportunity to discuss the criteria and process of these different approaches in more detail.

**8. What evidence base is required to determine future capabilities?**

ADS believes the evidence base for future capabilities will be formed from a number of objective, data-based inputs (including, for instance, fiscal factors and comparison with international peers) and subjective judgments of the threat landscape and geopolitical climate. Industry is keen to be a part of this analysis and to contribute to forming an evidence base that allows for the UK Government to make the most informed choices possible.

**9. To what extent should defence reviews address defence procurement?**

Defence procurement is fundamentally important to the successful delivery of an IR or similar review. Defence procurement is not simply a commercial function to deliver value-for-money capabilities, but also a potential mechanism to foster innovation and maintain the UK's technological, strategic and doctrinal edge. However, the IR is an opportunity to look at all the UK's defence and security levers in their entirety. Defence procurement is but one strand of this and should be treated as such during an IR process.

Often the changes that will impact the effective delivery of military capabilities are made at levels below that of an IR. The work currently being done by the MoD on Acquisition and Approvals Transformation is an example of progress at a working level that could have big implications for defence procurement. Likewise, industry would hope to see the Defence and Security Industrial Strategy (DSIS) form outputs that directly impact defence procurement.

Industry would welcome a formal review process of the mechanisms of defence procurement and contracting as part of the wider work around an IR but set in the context of facilitating the delivery of the goals of the IR and the UK military capability.

**10. How can Government ensure capability decisions reflect financial realities?**

It is important that future decisions on capability requirements are not taken in isolation and separate to fiscal discussions. For that reason, it is important that the IR works alongside wider work on the Comprehensive Spending Review to ensure that decisions made are grounded in the fiscal context. The review must be based on the reality of the fiscal picture, not on the procurement of unaffordable capability.

Alongside this, decisions on capability must also be grounded in deliverability; for that reason, the DSIS should consult with bodies as the Infrastructure and Major Projects Authority on ways in which to build deliverability into the process of setting capability requirements at an early stage on major programmes.

Over time, a sustained effort to create a balanced Defence Equipment Programme coupled with a more detailed and long-term vision for national defence and security capabilities will result in more coherence between financial and capability decisions.

Finally, the IR, or indeed the CSR, should not be rushed to meet artificial timescales. The IR must provide a strategic vision for the UK for the next five years, underpinned by robust consultation with all key stakeholders (including industry). Any attempts to rush this process, as has been seen in recent reviews, risks leading to sub-standard capability decisions.

#### ***11. Which external stakeholders should be engaged in the review process? How?***

The IR should consult widely with many external stakeholders, including industry, academia, the UK's allies and other parts of the private sector, including Critical National Infrastructure. Moreover, trade associations such as ADS, think tanks, and professional bodies such as the RAeSoc should also be engaged throughout. The IR has a welcome ambition to bring together the UK's collective resources, from the soft to the hard end of the spectrum of power, to grasp the opportunities of the next decade. However, this can only be achieved through a process of wide and deep consultation. This engagement must begin early enough for stakeholders to have a real impact on the early stage thinking and influence the direction of the review process.

The benefits of engaging industry in the review process are many. Industry undertakes its own horizon scanning and threat assessments, develops new concepts, has insights from its own wargaming and operational analysis, and works across multiple countries so can identify opportunities for collaboration on capabilities and interoperability.

To effectively achieve this engagement, the IR must combine a strong, central team to coordinate the review with an effective process of delegation to individual departments to enable them to consult with their relevant stakeholders and then report back. In the case of the UK's defence and security sectors, this includes the Ministry of Defence and the Home Office, as well as other departments such as the Department for Transport, the Department for Digital, Culture, Media and Sport, and the Department for Business, Energy and Industrial Strategy (given their lead on the UK space sector). These departments should be empowered to conduct their own engagement activities with industry before then reporting back to the IR team within the Cabinet Office.

#### ***12. What role should international allies and multinational alliances play?***

Engagement with allies and alliances are important not only for geopolitical positioning, but for more pragmatic reasons too. Greater collaboration and signposting of intent from the UK can maximise the benefits of international R&D and capability development programmes.

Engaging with trusted allies and partners on capability decisions can result in greater efficiencies, better capabilities and an international advocate for the UK's intended direction on the world stage. There will be many instances in which international collaboration can act as a force multiplier for delivering the aspirations in the IR. Moreover, the conclusions of the review should be tested privately with key allies in advance to ensure that we do not create unexpected second-order effects.

#### ***13. What level of detail should be provided to Parliament and the public once the review is completed?***

In so far as possible, the work of the IR should be disseminated widely, even if aspects of its implementation plan are held back from public circulation. It is particularly important that core delivery partners for the IR such as industry can undertake strategic and operational discussions with Government to support its implementation.

The previously noted trusted and secure Government-Industry dialogue mechanisms that should be established for the development of the Review would also be ideal to share the Review outputs.

#### ***14. How can the results of the review best be reflected in a spending review?***

While the review should not be completely constrained by financial considerations, which would hinder its ability to offer a strategic view on how the UK can grasp the opportunities of the next decade and keep the UK safe, it is important that it is conducted with a view to the overall fiscal envelope. For that reason, it is sensible that the IR is due to be conducted alongside the CSR and the Cabinet Office central team together with individual departments are promoting a coordinated approach by the IR towards the CSR. If individual departments solely treat the IR as a process to set

out their individual stalls, opportunities to collaborate on a more strategic basis will be missed. This may require a cyclical approach to the IR and the CSR to ensure that capability requirements are set out on a strategic basis, costed and then revised if deemed unaffordable to deliver the necessary capabilities in an affordable way.

***15. What is required to ensure that the findings and outcomes of a review are implemented?***

The most important aspect to implementation is accountability. It is welcome that the Government publishes letters to all its Senior Responsible Owners (SRO) for major programmes. In that same vein, the delivery of the IR must be treated in the same way and each key department should appoint an SRO responsible for their department's contribution to the implementation of the IR. At the centre however key departments (the Cabinet Office, MOD and Home Office) must provide leadership and bear responsibility for the overall delivery of the IR. To support this there is a need within the Home Office to build their capacity for strategic industrial engagement through the appointment of a senior, dedicated official to lead on these issues.

More widely, in terms of core delivery partners such as industry, the IR should consider how existing forums such as the DSF and the SRGP can be used as mechanisms to help with the delivery of the IR, promoting a collective UK response.

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