1. INTRODUCTION

1.1. ADS is the premier trade association for the UK’s defence, security, aerospace, and space sectors. 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, with companies in 2019 generating £79 billion turnover in the UK, including £46 billion in exports, and supporting over one million jobs.

2. SUMMARY

2.1. ADS welcomes the intention of the Integrated Review to foster a whole-of-Government approach to national and international security policy, ending siloed approaches to threats. Non-malicious threats such as the current pandemic, as well as wider challenges posed by the ‘grey zone’ have shown that the response from Government cannot be handled by one single department; instead, cross-cutting challenges require a cross-Government response that ignores silos, which typically cluster around individual, linear threats.

2.2. In considering how the Government should meet an array of domestic and global threats, this process of integration should not stop at the boundaries of the public sector. As the provider of advanced capabilities for the Government’s Armed Forces and national security community, the UK’s defence and security industries should be considered an important component of the national security machinery. Modern and integrated threats will require a modern and integrated response across government departments and also into the private sector, both as relates to the suppliers community represented by the UK’s defence and security sectors and with regard to the private sector that owns and operates critical national infrastructure.

2.3. ADS’s submission below focuses on matters of economic policy and engagement with industry, setting aside wider considerations about the role of the NSA, NSC and COBR, and builds upon its previous submission to the inquiry on biosecurity and national security, which emphasised the need to draw upon the expertise and capabilities of the private sector in responding to future crises.

3. COORDINATING ECONOMIC AND SECURITY POLICY-MAKING

3.1. At a time when budgets are constrained, the UK must make best use of its available resources to exploit economic opportunities arising from new technologies and trends in support of the UK’s post-pandemic economic recovery, which the UK’s defence and
security industries are well placed to contribute to. In turn, the UK needs to maintain a competitive edge in capabilities, systems, sustainment, training and doctrines to respond to the evolving threat landscape. An approach that seeks to tackle both economic and security challenges simultaneously must therefore involve industry from the outset and recognise that decisions on industrial policy that foster growth and investment can also have positive national security implications. This should also recognise the significant investments made in the UK’s intellectual property and skills base by the UK’s defence and security industries, thus strengthening the UK’s long-term competitiveness.

3.2. The recent defence funding announcements were welcomed by industry, although further details are awaited on how the additional funding will be allocated to the MOD’s programme of record and emerging capability requirements. However, the decision to separate the release of the Integrated Review and a forthcoming Comprehensive Spending Review, while understandable given the economic pressures of the pandemic, may further exacerbate the split between economic and national security policymaking. The Comprehensive Spending Review was intended to set out a long-term economic approach that underpins the implementation of the Integrated Review, not just in defence but in other areas of national security. Industry will continue to look towards these publications to send important demand signals, however there is now a greater chance that these two events could be misaligned. National and international security policy should not be designed in isolation to wider economic policymaking.

3.3. The current pandemic has highlighted the importance of a healthy and robust domestic industrial base in responding to emergencies, for example in industry’s support last year to the Government’s Ventilator Challenge. This crisis has also raised questions about the UK’s sovereign capability requirements and the resilience of our supply chains. This further highlights the interdependence between security, resilience and prosperity considerations that national policymaking should address, especially as the UK searches for opportunities to foster a sustainable economic recovery following the pandemic.

3.4. Through the National Security and Investment Bill, as well as the forthcoming Defence and Security Industrial Strategy and a proposed refresh to the Industrial Strategy, the Government is reshaping how it will approach, foster and protect strategically important industrial sectors. However, it is not yet clear how the Government proposes to adopt an integrated approach across these varying areas of policy that will provide coherence to industry as it makes long-term investment decisions. The UK must adopt a strategic approach to these sectors, where the introduction of measures such as controls on investment are consistent with the strategic outcomes desired for the UK.

4. STRATEGIC INDUSTRIAL ENGAGEMENT

4.1. Many of the challenges that the UK faces are driven by rapid technological change, which our sectors are uniquely placed to understand, exploit and mitigate given their
heavy investments each year in innovative national security capabilities. Therefore, as the UK considers how to structure, equip and mobilise its national security machinery this process should strengthen the docking points between industry and Government. To do this, the Integrated Review must foster strategic industrial engagement via fora such as the Security and Resilience Growth Partnership (SRGP) and the Defence Suppliers Forum. For example, work is currently underway by the Home Office and the UK’s Security and Resilience Industry Suppliers Community (RISC) to enhance the SRGP, which ADS would strongly encourage the Integrated Review to support and embed.

4.2. The increasing preponderance of the ‘grey zone’, both as relates to hostile states conducting ‘hybrid warfare’ and to hostile non-state actors conducting asymmetric operations, places the private sector in the cross-hairs and elevates its importance in providing a modern and integrated response to these threats. The increasing importance of the private sector to the UK’s national security, both in terms of the suppliers’ community we represent and the operators of critical national infrastructure, calls for a modern and integrated response that not only brings together departments and agencies in line with the Fusion Doctrine, but also draws upon the capabilities and insights of industry to tackle threats upstream.

4.3. A trusting and agile working relationship must be fostered between industry and Government as part of wider work to reshape the national security machinery. As Professor Anthony Finkelstein, the Government’s Chief Scientific Adviser for National Security, has previously said, innovation in defence and security cannot be conducted effectively from behind a ‘barbed wire fence’. This calls for strengthened engagement and the ‘harder to reach’ parts of Government (for example, the intelligence agencies) for the purposes of driving innovation and protecting the UK’s technological edge by drawing in new perspectives and capabilities.

4.4. To practically achieve this strengthened engagement, channels must be developed for sharing early information on threats, gaps, and requirements, at an appropriate security classification level, by Government with industry, and vice versa, as well as with academia. This will help industry to meet future requirements through its long-term investment decisions in R&D and manufacturing capacity in the UK. A threat-informed approach to technology development promotes a focus on the end-user’s requirements, whilst creating an impetus to overcome traditional commercial barriers.

4.5. Industry would welcome discussions at the earliest stages of technology and capability development and would like to work with Government to establish secure and trusted forums in which these discussions can take place. This would help businesses to more effectively plan and compete within the domestic and global marketplaces and make appropriate long-term decisions to support the UK’s national security. Further to this, these decisions can help maximise the potential of inward investment from international
businesses and give direction to the UK’s partners and allies as to which areas of capability are appropriate for collaborative R&D work.

4.6. Alongside this, the Government’s green paper on public procurement reforms heralds an opportunity to develop a more responsive and agile approach to procurement. The current pandemic exposed many flaws in the UK’s response, as well as the benefits of agility, and the opportunity should be seized to ensure the UK is better placed to respond to future crises through its procurement of security capabilities.

4.7. Industry would welcome guidance and direction from Government on which technology areas and capabilities are deemed to be Sovereign Capabilities, or to a lesser extent, strategically significant for maintaining freedom of action. Attempting to maintain sovereignty across all domains and capabilities is unlikely to achieve the desired result. Rather, providing more focus on chosen capabilities will enable industry to invest with much higher output potential. In addition, greater clarity as how sovereign capabilities can continue to be exploited beyond the sovereign application, both in domestic and export markets, is required if these capabilities are not to be a dead end for product or service exploitation.

4.8. To fully harness industry’s contribution to the national security machinery, certain barriers to engagement must be removed. To understand the challenges facing the UK’s national security community, it is necessary for companies and individuals to hold appropriate security accreditations and clearances so that they may receive sensitive information. However, there have been considerable delays with the processing of industrial security clearance applications by UK Security Vetting (UKSV), which have been exacerbated by the pandemic. In the non-military national security space, companies without an extant Ministry of Defence contract cannot obtain security clearances. This acts as a barrier to a wide range of SMEs in the defence and security sectors, who would otherwise be able to deliver new, innovative capabilities in support of national security objectives. Potential reforms are under consideration by UKSV to address these barriers, but this work must be accelerated if industry is to effectively respond to national security requirements.

5. CONCLUSION

5.1. ADS hopes that the Integrated Review, due for release this Spring, will foster a newly energised whole-of-Government approach to national and international security policymaking. However, industry will also have high hopes that the Integrated Review, and associated Defence and Security Industry Strategy, find ways to move the UK from a transactional industry-Government relationship to a strategic partnership that works in support of national security as well as the UK’s post-pandemic economic recovery. As this inquiry progresses, ADS hopes it will recognise industry’s role in delivering national security objectives, and therefore also identify the UK’s defence and security sectors’ importance in the national security machinery.
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