

# THE NAVY PURPOSE AND PROCUREMENT: ADS SUBMISSION TO HOC DEFENCE COMMITTEE INQUIRY, MAY 2021

## 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 defence, security, aerospace 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 2020 generating £79 billion turnover in the UK, including £45 billion in exports, and supporting over one million jobs.

## 2. EXECUTIVE SUMMARY

- 2.1. Industry welcomes the refresh of the 2017 National Shipbuilding Strategy (NSbS), given the developments since its release, including the publication of the Defence and Security Industrial Strategy (DSIS), the Government's commitment to move away from the 2012 'global competition by default' policy, and the advancements in naval technology that are redefining how to deliver cutting-edge capabilities.
- 2.2. ADS and its member companies believe that the UK shipbuilding and maritime defence industry can best fulfil its role in delivering and supporting UK naval capabilities, systems and requirements, if government works collaboratively with industry to give transparency and certainty regarding its long-term requirements. This includes the publication of a detailed 30-year pipeline for ships over 150 tonnes, as part of the NSbS refresh. There is also a need for a coordinated skills plan, developed in coordination between the UK and Devolved Governments, to ensure that this long-term pipeline can be delivered.
- 2.3. ADS believes that, alongside the announcement of a new strategic international partnership approach in the DSIS, it would be beneficial to identify areas where UK industry can most effectively collaborate with allies to increase value for money and continue to deliver world-leading capabilities. ADS also supports the consideration of exportability for all naval platforms and systems from the outset in the planned NSbS refresh, building on priorities outlined in the DSIS.
- 2.4. Upcoming naval competitions provide an opportunity for Government to demonstrate its new policy to move away from 'global competition by default', to demonstrate a wider understanding of the shipbuilding enterprise including systems, sensors, and the Space domain, and to take the first step towards ensuring the long-term viability of the UK shipbuilding and maritime defence industry, including the SME supply chain, which are key drivers of innovation in capabilities.

## 3. NATIONAL SHIPBUILDING STRATEGY REFRESH

- 3.1. The UK shipbuilding and maritime defence industry is vital for the long-term security of the Royal Navy, the armed forces as a whole, and high-value jobs in shipbuilding yards, maritime sites, and hundreds of innovative SME businesses around the country, which directly contribute to the Government's levelling up agenda and strengthening the Union. It is also an industry that regrettably has faced significant levels of uncertainty historically. Industry supported the publication of the 2017 National Shipbuilding Strategy (NSbS) and its commitment to a long-term programme of naval shipbuilding, which offers an unprecedented opportunity to support UK shipyards and the high-value design, advanced systems and support services that modern warships depend upon.
- 3.2. Since then, Sir John Parker published a review of the NSbS providing several recommendations to the Ministry of Defence (MoD), which ADS supported, including on adequate funding to support the planned 30-year shipbuilding Master Plan. However, following the recent increases in defence spending; the publication of the Defence and Security Industrial Strategy (DSIS) and its announcement of a commitment to move away from the 2012 policy of 'global competition by default'; the publication of the Defence Command Paper, the Integrated Review and the MoD Climate Change and Sustainability Strategic Approach; new technological developments including hypersonic weaponry; the renewed focus on science and technology across the DSIS, Defence Command Paper and the Integrated Review; and the challenges associated with the global pandemic, the planned refresh of the NSbS comes at an extremely crucial time for industry.
- 3.3. The next NSbS must be fully supported by the whole of Government policymaking and provide a commitment to long-term decision making and investment over the full life cycle of concept, design, development, production and entry into service. This should also recognition the value of early engagement with industry so that issues with programmes can be identified early on and thereby resolved. If requirements are set without any pre-commercial engagement with industry on the 'art of the possible' there is a risk that subsequent programmes could be skewed or delayed.

#### **4. INTERNATIONAL COOPERATION AND EXPORTS**

- 4.1. The UK's reputation as a world-leading destination for R&D investment, its world-class technology, and an influential military power are three factors that make it an excellent international partner and investment location. The UK has taken prominent positions in several international programmes, resulting in both greater benefit to the UK economy and national defence and security.
- 4.2. ADS welcomes the announcement of a new strategic international partnership approach in the DSIS, which seeks to drive collaboration on cutting edge technologies and adaptable capabilities to ensure the UK and its allies can effectively tackle common threats and the operational challenges of the future. It would also be beneficial to identify areas where UK industry can most effectively collaborate with allies (including via multilateral relationships and alliances such as

NATO) to increase value for money, interoperability and to continue to deliver and deploy world-leading capabilities.

- 4.3. The Type 26 City-class frigate export achievements to Canada and Australia highlight the economic value and export potential of the shipbuilding enterprise, which if supported properly could make a significant contribution to the UK's economic recovery. These success stories also underline the value of jointly developed export campaign plans that help to differentiate the UK offer from competitors. Volume is an important efficiency driver and ADS supports the consideration of exports for all naval platforms and systems from the outset in the planned NSbS refresh, building on the priorities outlined in the DSIS that seek to expand upon export opportunities for industry. Fully recognising the importance of UK design and intellectual property to exports will further support opportunities for the UK supply chain in this regard.
- 4.4. Robust market intelligence and data analysis of customers, supply chains and capabilities will be needed to underpin the implementation of exportability considerations from the outset of procurement, and it should be considered a critical asset to be sustained and exploited. This work should recognise MOD's role as a 'anchor customer' in maritime and naval design, development and production, and industry and MOD should work together to ensure that future investment in shipbuilding embeds exportability in design, production and support, informed by high-quality market intelligence.
- 4.5. The DSIS provided a welcome recognition of the value of early and consistent government-to-government (G2G) engagement in support of defence exports. The selling of naval ships, systems and sub-systems will demand international engagement with countries at the G2G level and establishing these relationships early in the process, giving the ability to inform and merge capability requirements with those of MOD will increase the UK's competitiveness.

## **5. INDUSTRIAL DELIVERY CAPABILITY**

- 5.1. ADS and its member companies believe that the UK shipbuilding and defence maritime industry are ready to fulfil their role in delivering and supporting UK naval capabilities, systems and requirements. This includes ongoing programmes such as the Dreadnought and Astute class submarine programmes, and the Type 26 and Type 31 frigates. This also includes new and upcoming programmes such as the Fleet Solid Support Ships, Type 32 and Type 83 frigates, the Multi-Role Ocean Surveillance Ship, and the Multi-Role Support Ships. Industry can also support with programmes related to new technologies such as autonomous maritime platforms and systems, provided that industry is given certainty and support from government in a collaborative way.
- 5.2. The publication of a refreshed NSbS, which takes into consideration all elements of the shipbuilding enterprise from structures to systems to underpinning Space-based capabilities such as Position, Navigation and Timing (PNT), and a detailed 30-year Master Plan for all naval and other planned Government vessel procurements over

150 tonnes, to be reviewed and updated regularly in close collaboration with industry, will give industry a greater level of visibility and certainty to encourage innovation and investment.

- 5.3. More broadly, the next NSbS should be considered not only as a plan for the Royal Navy, but also a truly national plan that considers all aspects of national maritime capability throughout the supply chain. This should include investment in much needed skillsets for both existing and emerging capability requirements (such as autonomous platforms and space-based Intelligence, Surveillance and Reconnaissance (ISR) capabilities), to be supported by a skills plan and pipeline developed in partnership with Government and devolved authorities. Additionally, the refresh should consider the underpinning capital investment in infrastructure that will be required to create a positive return on investment, which would allow industry to invest in efficiencies such as digital shipyards and modernised layouts.
- 5.4. Aligning with the upcoming refresh of the Defence SME Action Plan, early engagement, and a plan to reduce barriers to participation in a collaborative way will be particularly important for ensuring the strength and resilience of the wider supply chain, including SMEs, in the delivery of, and support for, UK naval capabilities that will remain at the forefront of naval innovation for defence.
- 5.5. ADS believes that a detailed National Shipbuilding Strategy refresh, taking into consideration all aspects of a national maritime capability throughout the supply chain, based on shared objectives, open planning that involves the SME community at an early stage, and a joint implementation plan, can contribute to providing industry with the long-term confidence and certainty it needs to be able to continue to deliver world-leading capabilities well into the future.

## **6. INTERNATIONAL COMPETITION BY DEFAULT**

- 6.1. ADS welcomes the move away from the 2012 'global competition by default' policy to the more nuanced approach announced in the DSIS. This creates a huge opportunity to fully embrace the Defence Prosperity agenda, which in turn can make a significant contribution to the Government's levelling up agenda and to strengthening the Union. Already, 65% of employment in defence is based outside of London and the South East and average salaries are £36,500 a year, 20% higher than the UK average. Additionally, there is a heavy naval shipbuilding presence across the M8 corridor in Scotland.
- 6.2. As the Fleet Solid Support Ships are the first large naval procurement competition after the publication of the DSIS, there is an opportunity for Government to use this programme to signal its new policy and take the first step towards ensuring the long-term viability of the UK shipbuilding and defence maritime industry, including its innovative SME supply chain, in a new global era, which has demonstrated the strategic imperative of retaining and enhancing onshore capabilities.