

## Written evidence from ADS (NSS0005)

### ABOUT ADS

ADS is the premier trade association advancing the UK's Aerospace, Defence, Security and Space industries. ADS comprises over 900 member companies across all four sectors, with over 850 of these companies identified as Small and Medium Size Enterprises. Together with its regional partners, ADS represents over 2,600 companies across the UK supply chain.

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 £56bn a year for the UK economy, including £31bn in exports, and supporting 800,000 jobs.

### INTRODUCTION

1. The UK's world-class defence and security industry is of strategic importance, helping to protect the country and its citizens and contributing to national prosperity by sustaining high-value jobs and delivering high-tech exports.
2. In 2014, the UK's defence and security industry generated a turnover of over £30 billion and secured export business worth £12 billion. The defence and security sectors also directly employ over 200,000 people, including 6,500 apprentices and trainees.
3. ADS believes the NSS and SDSR 2015 constitute a well-conceived and pragmatic response to the new and challenging threats to UK national security. In particular, the focus on innovation, support for exports and SMEs, and the commitment to refresh industrial policy, are very welcome.
4. The strategy recognises the importance of industry's contribution to supporting national security and prosperity. Highlighting the role of defence and security exports reinforces their essential part of the UK's efforts to support our allies and international partners. They make joint operations easier and more effective, and help vulnerable nations build the security and stability required to combat the threats posed by terrorism, organised crime and mass migration.
5. As government prepares for the implementation of the NSS and SDSR 2015, ADS has identified a number of priorities for industry. These include:
  - a. **Inputting into the refresh of the defence industrial policy** to ensure a broad understanding of the contribution defence makes to the economy and UK prosperity.
  - b. **Enhancing support for exports** by supporting the new government-to-government team established within UKTI and working with government departments to determine how exportability can be better incorporated into procurement decisions.
  - c. **Understanding and helping to shape the new innovation landscape** and maximising the effectiveness of new initiatives by ensuring they complement existing work being undertaken by the likes of the UK Defence Solutions Centre and the Security Innovation and Demonstration Centre.
  - d. **Promoting and supporting SME access and engagement** by contributing to the government's 'Red Tape Challenge', engaging with the MOD's Supply Chain Champion, and working through the Growth Partnerships to make it easier for SMEs to bid for defence and security contracts.

## INTERNATIONAL SECURITY ENVIRONMENT

6. The UK defence and security sectors recognise that the government must seek to address a complex set of national security risks within a continually challenging domestic financial context. The UK's defence and security posture should ultimately be driven by an assessment of the international security landscape and its impact on UK interests, framed within the bounds of what the nation can afford.
7. We would highlight three interrelated trends in the strategic environment:
  - **Fragmentation of states.** In addition to the re-emergence of conventional state aggression, the fragmentation of unitary, sovereign states leading to the emergence of large dissident entities is a key geopolitical challenge facing the UK. State fragmentation means that threats are increasingly asymmetric in nature; consequently, future conflicts will be less predictable.
  - **Quicker technology cycle and proliferation of technology.** Technological change is creating a more volatile global environment, as non-state actors adopt and adapt new technologies to exploit weaknesses in conventional military and security forces. Key to maintaining operational advantage over hostile non-state actors is the ability to keep pace with shortening technology development timescales and deliver rapid evolution, testing and deployment of leading-edge technology to meet new and emerging threats.
  - **Risks are appearing faster.** The fragmenting of states and quicker technology cycles mean that risks are appearing faster. These trends are resulting in a greater number of potential threats and vulnerabilities that government must identify, assess and manage.
8. The UK must address these strategic challenges within a difficult financial context. The government's commitment to the 2 per cent NATO target for the remainder of the decade will reassure allies and send a clear signal to those who threaten UK national security. Yet the commitment does not in itself resolve the strategic challenges that the UK must address. To do this, the UK should continue to find new and innovative ways of doing more for less, and using a partnership approach between government and industry to better understand risks, rapidly develop, deliver or adapt capabilities to address security threats, and respond quickly and effectively to crises.

## WORKING WITH INDUSTRY

9. In an environment with rapidly evolving threats, industry and government should work together to enhance the UK's capacity and capability to identify, assess and respond to security threats.

### Identifying and assessing national security risks

10. The UK's national security is dependent on a successful public-private partnership. This is not limited to the development, supply and procurement of capabilities.
11. Defence and security companies, as well as academia and businesses generally, can make a valuable contribution to identifying and assessing national security risks based on their understanding of the countries within which they operate, their horizon-scanning and scenario-planning, and threat-driven R&D. In addition, industry can contribute unique situational awareness and technical/scientific expertise to support crisis management and response, as demonstrated by the recent Ebola crisis.

12. Working in partnership with the defence and security sectors and leveraging their expertise in threat analysis can help government gain a quicker and more comprehensive understanding of potential national security risks.
13. ADS welcomes the NSS and SDSR's commitment to create a new, cross-government 'Emerging Technology and Innovation Analysis Cell' with close links to the private sector and academia. It is expected that this will better allow the UK to identify opportunities to improve technology scouting for new threats, drawing in ideas and solutions pioneered in fields beyond defence and security.

### **Responding to security threats**

14. As national security threats emerge more quickly, an agile domestic industrial base is required to adapt capabilities and generate new ones to meet operational situations and deliver the changing requirements of the UK armed forces and security and law enforcement agencies.
15. Access to an agile domestic industrial expertise in turn enables industry and government to work more closely together to enhance the UK's capacity and capability to identify and respond to security threats, including through early engagement in the procurement process and prioritising investment in innovation and technology.
16. The NSS and SDSR outlined a commitment to establish a defence and security accelerator for government to help the private sector, allies and academia turn ideas into innovative equipment and services faster for national security users. Working through the Defence Growth Partnership and the Security and Resilience Growth Partnership we hope this will ensure a fast and effective response to security threats as they emerge.

### **PRIORITISING INVESTMENT IN INNOVATION AND TECHNOLOGY**

17. Government and industry should work together to improve the pull-through of research investment in order to meet changing capability requirements in an evolving threat environment.
18. Sustained investment in research and development (R&D) and testing and evaluation (T&E) underpins the UK's ability to rapidly adapt to the threat environment, including by exploiting commercial technology advances for defence and security purposes.
19. Shortening technology development timescales go hand in hand with widespread availability of information. These combine to drive proliferation of technology, which lowers the bar for its use in conflict. If the UK is to maintain its operational advantage and freedom of action over hostile state and non-state actors, it must adapt and keep pace with technology proliferation as well as plan long-term for future threats.
20. As technology development is mostly driven by consumer demand and commercial investment, the government must be able to assess whether technologies in other sectors represent an opportunity or threat on a rapid and continuous basis and also pull-through those technologies in order to deliver or enhance a security capability.
21. An effective response to threats and hazards relies on the ability to understand technology, spin it out rapidly, test and evaluate effectively and integrate solutions into complex systems. Gaining an upper hand in conflict through rapid exploitation of technology will become increasingly important in maintaining the UK's defence and security edge.
22. Industry is keen to explore how it can work with government to pull through and exploit technologies, especially in light of the NSS and SDSR's commitments which, in addition to those

already referenced include the launch of a defence innovation initiative and a Cyber Innovation Centre.

## INDUSTRY PRIORITIES FOR NSS AND SDSR IMPLEMENTATION

23. ADS has identified a number of priority themes for the implementation of the NSS and SDSR.
24. The first is the **refresh of the UK's defence industrial policy**. Industry will be looking to work with the government as it seeks to recalibrate its existing defence industrial policy and to ensure a broad understanding of the contribution defence makes to the economy.
25. Similarly, industry hope to be able to input into government plans to deliver new strategies relating to counter-terrorism and shipbuilding, and the defence innovation initiative.
26. The second theme is **enhanced support for exports**. Industry will be looking to support the establishment of a new government-to-government export team within the UKTI Defence and Security Organisation, as well as seeking to build upon wider departmental relationships.
27. With such a depth of knowledge and wealth of experience in exporting, industry can add real value to government thinking as departments determine how exportability can be better incorporated into procurement decisions.
28. Another challenge for industry will be **helping to shape the new innovation landscape**. SDSR 2015 outlined a number of new innovation initiatives, for example, the Defence and Cyber Innovation Fund, Emerging Technology and Innovation Analysis Cell and the defence and security accelerator. In order to maximise effectiveness, it is important that these new ventures complement the work of existing initiatives, such as the UK Defence Solutions Centre and the Security Innovation and Demonstration Centre.
29. Finally, industry will be seeking to promote and support government efforts to **increase SME engagement and access**. The overall government target is to raise the SME share of central government procurement (both direct and indirect) from 25 per cent to 33 per cent by 2020.
30. Industry will be contributing to the government's 'Red Tape Challenge', engaging with the Supply Chain Champion in the MOD, and working through the Growth Partnerships to make it easier for SMEs to bid for defence and security contracts. Helping to ensure the transparency of future procurement requirements and working to simplify procurement processes will be crucial to this.