



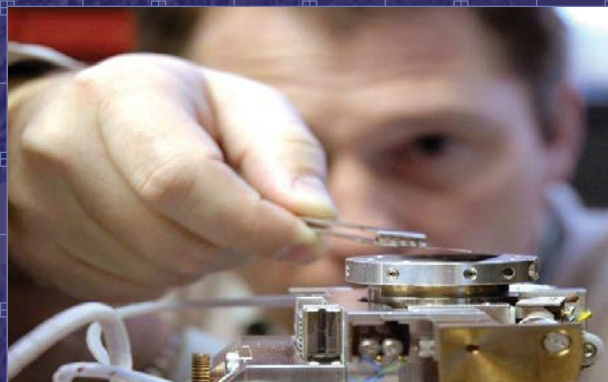
Defence Growth Partnership

Government and Industry working together:
a fresh and ambitious approach to build a
strong future for the UK Defence Sector



Securing Prosperity

A strategic vision for the UK Defence Sector





Prime Minister's Foreword



BRITAIN'S DEFENCE INDUSTRY IS A NATIONAL SUCCESS STORY THAT WE ARE RIGHT TO TAKE PRIDE IN. Across the country, British engineers, scientists and apprentices, metalworkers and manufacturers, programmers and project managers, and many more besides, are working to ensure that our armed forces have the best equipment in the world. They are not only making an essential contribution to our national security, however, but to our economy too. Well over 100,000 people work in this industry, in high value, high tech jobs, with a turnover of more than £22 billion a year. And given the expertise we have to offer, it is unsurprising that the UK is also the largest exporter of defence equipment and services in the world after the United States with over £8 billion of sales last year. Clearly, our Defence Industry has a crucial role to play in further strengthening the economy and maintaining our position on the leader board.

But as in other areas of the economy there is no room for complacency. The global market is changing, customers are becoming more demanding, and British companies are facing increased competition from new and existing rivals. I am determined that, despite these challenges, the UK Defence Industry will remain a world leader that builds on and adds to its many successes. To achieve this, we will need for Government to work with Industry to become more competitive, invest in skills, support SMEs and encourage inward investment.

That is why I am excited by the Defence Growth Partnership. It brings Government and Industry together and sets us a challenge to deliver this long-term strategic vision, which will maximise the opportunities for British business and enable them to offer innovative and competitive solutions for our Armed Forces as well as customers around the globe.

The following report sets out how this partnership will be taken forward. But it is only a beginning. By summer 2014, we will set out our joint action plan with Industry. Working with them we will ensure a thriving national Defence Sector, delivering security, growth and prosperity for the UK, into the future.

A handwritten signature in black ink that reads "David Cameron".

Executive summary

“ The DGP is an important initiative and I welcome the real commitment from Industry to making it a success. Our Defence Industry has world leading capabilities. It not only supports our Armed Forces on operations, but creates jobs across the country and is a major exporter. I am determined that we should work in a genuine partnership with business to ensure that the UK continues to be an attractive home for defence investment.

Michael Fallon MP, DGP Co-Chair, Minister for Business and Enterprise



“ The Defence Industry plays a vital and strategic role in the UK's industrial, technological and manufacturing base, as well as being a major driver of exports. We are committed to investing in the skills and industrial capability needed for future prosperity. Working in partnership with the Government, the Defence Industry will play its role in driving growth in the UK economy.

Steve Wadey, DGP Co-Chair, Managing Director, MBDA UK



DEFENCE GROWTH PARTNERSHIP

The Defence Growth Partnership (DGP) is a partnership between Government and the Defence Industry.

This report sets out the strategic vision and focus of the DGP, based upon joint analysis completed by Government and Industry. To deliver this strategic vision we have established joint senior teams and an ambitious programme of work through to the summer of 2014. During this next phase of work, we welcome and encourage engagement from all stakeholders.

A VITAL SECTOR

The UK's Defence Sector is renowned around the globe for developing world-class capabilities across the full range of defence equipment and services, which are vital to assuring our national security and our relationships with key Allies.

The Industry directly employs 155,000¹ people in the UK generating £22.1 billion turnover² for the economy and is the number one exporter of

defence equipment and services in Europe and number two³ worldwide. In addition, the Industry indirectly employs a further 145,000¹ in the supply chain.

THE GLOBAL CHALLENGE

The global defence environment is highly dynamic: customers' needs are changing in an uncertain world; competition is fiercer and technology is driving new solutions. Nations around the world are faced with constrained investment at home and are becoming more active in the international market place.

Working together, Government and Industry have concluded that there is an opportunity to modernise and reshape the way we work to improve the conditions for the future success of the UK Defence Sector. By working in partnership, our objective is to have a truly competitive, sustainable, and globally successful UK Defence Sector that provides affordable leading edge capability and through life support for our Armed Forces and international

1. UK Defence Statistics 2009 Table 1.10. Latest estimates available: 2007/08. Industry estimates employment of well over 100,000 people in the UK, ADS defence survey 2012.

2. ADS, UK Defence Survey 2012, October 2012, page 10

3. UK TI DSO, UK Defence & Security Exports Statistics for 2012, page 10

OUR VISION

The Defence Growth Partnership will secure a thriving UK Defence Sector delivering security, growth and prosperity for our nation.

OUR STRATEGY

Taking a fresh and ambitious approach through a

Joint commitment from Government and Defence Industry to work together

to develop new opportunities by

Building on our nation's strengths in air capabilities and intelligent systems

and deliver growth through

Innovative and tailored solutions for Customers around the globe.

customers, and in addition brings wider economic benefits to the UK. Delivery of this objective supports the Government's policy of best value-for-money whilst protecting essential operational advantages and freedom of action, as set out in the 'National Security through Technology' White Paper February 2012.

SEIZING THE INITIATIVE

The DGP is jointly led by the Department of Business Innovation and Skills (BIS), as the lead department for economic growth, and the Defence Industry, with the support of the Ministry of Defence (MOD) as the UK customer.

To succeed in the global economic race, the DGP offers an opportunity to develop and exploit the full potential of the UK's strong innovation and skills at all levels of the Defence Sector, drawing upon our highly capable Small and Medium Enterprise (SME) community and Academia.

Working together, we have set out the DGP's ambitious vision to secure a thriving UK Defence

Sector and developed a focussed strategy that builds on our nation's strengths in air capabilities and intelligent systems, and improves the competitiveness of solutions for all customers. To deliver this outcome we have established eight joint senior teams with a coherent programme of work, described in this report. This fresh approach has secured the commitment of senior leaders across both Government and Industry, with the support of the trade associations representing all levels of Defence Industry from Prime Contractors to SMEs. We will launch the full implementation plan at the Farnborough International Airshow in the summer of 2014.

LOOKING FORWARD

The DGP provides us with a unique opportunity to secure a thriving UK Defence Sector delivering security, growth and prosperity for our nation. As we embark on the next phase of the DGP, Government and Industry share the firm commitment to deliver actions that will make a difference and turn our vision into a reality. Working in partnership, we can achieve this.

“ The Ministry of Defence supports the Defence Growth Partnership in its vision for a strong, competitive and vibrant Defence Industry that provides our Armed Forces with battle-winning capability and stays at the forefront of the global market.

Philip Dunne MP, Minister for Defence Equipment, Support and Technology.



Why are we doing this?

UK CAPABILITY

A vibrant UK Defence Sector is vital to national security and the economy.

The UK has a world-class industrial base, providing the essential technology, equipment and services relied upon by our Armed Forces and key Allies around the world. It solves complex problems, offers innovative solutions, generates many thousands of high value jobs and advances science and technology which benefit many other sectors in the UK.

The sector forms a substantial part of the UK economy with direct employment of 155,000, and a further 145,000 indirectly employed in the supply chain⁴; generating annual revenues of around £22.1bn, with defence exports worth an average of £6bn⁵ per annum over the last 10 years, with 82%⁶ of these exports coming from the air domain. The UK Defence Sector is the number one defence exporter in Europe; and second only to the US globally.

Spread widely across the UK, the sector benefits from a diverse range of companies from Prime Contractors to SMEs with niche skills and capabilities. It has a diverse and highly skilled workforce, contributing to the UK's advanced manufacturing base.



The sector also helps build and cement relationships between governments, particularly in the case of international collaborative programmes, and it further makes a contribution to open trade between nations.

The sector is in a strong position to help us rebalance the economy and boost our exports. But we are in a global race for trade with increasing competition, in the context of a fast-changing geo-political environment characterised by growing complexity and diversity. As a consequence of this, the defence needs of customers are evolving rapidly, with military capability becoming increasingly reliant on software, sensors and mission systems, and their through life support.

The UK Defence Sector must therefore evolve to maintain its competitive edge by producing increasingly flexible systems and services, which offer value-for-money and multi-role capability; and by exploiting emerging technologies and an 'open-systems' approach.

Our work will require us to set out a long-term path to build on our strengths and adapt to future market needs. We will need to put more emphasis on international trade, complementing known requirements of the domestic market.



4. See footnote 1

5. UK Defence Statistics 2011 and Statistical Series Bulletin 1.01 Trade, Industry & Contracts 2013, derived from table 1.13 [2011] and 1.01.08 [2013] Estimates of Identified Export Orders: Defence Equipment & Services

6. UKTI DSO, UK Defence & Security Exports Statistics for 2012, page 14



Understanding the defence market

INTERNATIONAL TRENDS

The global economic down-turn alongside the underlying shift in wealth, power and influence in our world, provide an opportunity to position the UK Defence Sector now and for the future. These global trends are resulting in heightened competition in export markets from both established players and new entrants, and a greater drive for cooperation with all our Allies and defence partners around the world, including the US and France.⁷

Governments are increasingly leveraging major defence acquisitions to create national development and industrial plans. Overseas customers are often seeking tailored or integrated solutions supported by the UK Government with the provision of technology transfer, inward investment and local partnering.

These are all major factors, which UK companies cannot tackle in isolation; Government and Industry jointly recognise the need to work together even more effectively, within national and international frameworks, to ensure that the UK Defence Sector including SMEs can compete successfully on the world stage, with the highest ethical and export control standards.

DOMESTIC TRENDS

Despite budgetary pressures, the UK Government remains a major defence customer, retaining a defence budget that is the fourth largest⁸ in the world, spending around £160bn over the next ten years on equipment and support.⁹

The Government has set out a number of reforms to deliver and maintain an affordable and balanced defence budget. Its acquisition policy⁷ is based on open competition whilst protecting operational advantages and freedom of action, where essential for national security.

Importantly, as part of the Government's wider agenda for export-led growth¹⁰, it is supporting appropriate defence exports by exploring how the capability needs of both the UK and overseas customers can be better aligned by now including the assessment of exportability as an integral part of the MOD investment approval process.

For its part, Industry recognises the need to improve its competitiveness through greater efficiency and the development of new business models and innovative, affordable solutions to meet the defence requirements of both the UK and overseas customers. Equally, shareholders and investors will need to see that the sector is sustainable and attractive in the long-term.

“ Over the last decade the defence landscape has endured much change; growing competition from emerging markets and a geopolitical shift in defence spending. This has increased the need for stronger collaboration between Government, Industry and our international partners. Sully Hanif, DGP Seconded, Graduate Analyst, Thales UK ”



7. 'National Security Through Technology' White Paper published in February 2012

8. UK Defence Statistics 2012, Chapter 1, table 1.23 Top World-wide Military Spenders: 2011

9. Ministry of Defence, The Defence Equipment Plan 2012, www.gov.uk/government/uploads/system/uploads/attachment_data/file/70258/Defence_Equipment_Plan_2012_20130130.pdf

10. 'National Security Through Technology' White Paper published in February 2012, Paragraph 171

“ The DGP is a great opportunity for Government and Industry to work together, modernising and re-shaping the way we operate to improve conditions for future success.

Paul Crawley, Special Advisor, MBDA UK ”

What are we going to do?

OUR STRATEGIC APPROACH

Since its creation, the DGP has developed our strategic vision and focus based on joint analysis, consultation, and independent assessment. This approach builds on our nation's strengths in two chosen domains and aims to improve competitiveness. To pursue this strategy, we have identified and established eight joint senior teams with clear objectives to identify and develop enduring propositions. This next phase of work will result in a full implementation plan to be reported back at the Farnborough International Airshow in the summer of 2014.

RATIONALE FOR TEAMS

Building on our strengths – we have decided to focus on two domains: an **Air Capabilities Team** as this domain has yielded 82%¹¹ of the UK's defence export success and has significant future potential; and an **Intelligent Systems Team** to exploit the UK's high value added capabilities in electronics, software and systems integration that enable leading-edge military capability in all environments.

Growing international business – with continuing pressure on the UK defence budget, growth for the sector depends on the increase in capture of export business. The **International Business Team** will develop a more coordinated approach to UK offerings, tailored to the needs of trading



partners around the world, underpinned by innovative business models.

Technology into future capabilities - the Defence Sector is technology-driven and, after a decade of declining research and development investment, the **Technology and Enterprise Team** will focus on establishing the best solutions to create the intellectual property of the future and importantly its exploitation in marketable products and services.

Improving competitiveness – ensuring we have access to talented people and competencies through the **Skills Team**, and take steps to improve efficiency through the **Value Chain Competitiveness Team**, providing clear market differentiation for the UK Defence Sector.

In addition, the **Engagement Team** will manage and nurture the Defence Sector's engagement with key stakeholders and the **Strategy Team** will manage the overall development and coordination of the partnership.



11. See footnote 6

“ It is important that we are fully engaged with our key stakeholders so that together we can build a partnership that delivers growth for the UK Defence Industry.

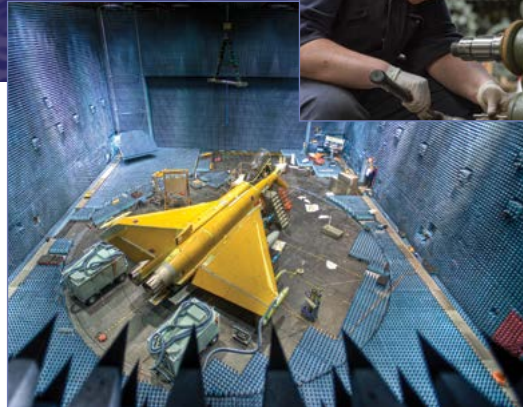
Bob Stoddart, President Customer Business - Defence, Rolls-Royce

Who's involved?

OUR ENGAGEMENT APPROACH

The DGP has been established to involve and engage with key stakeholders across wider Government, Academia, trade associations and all levels of the industrial value chain in the UK, from Prime Contractors to SMEs, to work together to deliver enhanced growth and prosperity for the UK.

So far we have benefited from a broad base of active participants, including Government (BIS, MOD, UKTI), Industry (15 companies), and the trade association ADS.



“ The DGP is an exciting prospect as it offers a unique opportunity for Government and Industry to collaborate to ensure the UK continues to innovate and prosper in this challenging market.

Julie King, VP, Corporate Affairs, Finmeccanica UK



Defence Growth Partnership

A partnership between the Government and the Defence Industry

About the UK Defence Sector

The industry directly employs

155,000*

people in the UK generating

£22.1 billion

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#1 in Europe #2 Worldwide

exporter of defence equipment and services

* UK Defence Statistics 2009 Table 1.10. Latest estimates available: 2007/08



Our Vision

The Defence Growth Partnership will secure a thriving UK Defence Sector delivering security, growth and prosperity for our nation.

Our Strategy

Taking a fresh and ambitious approach through a

Joint commitment to work together

to develop new opportunities by

Building on our nation's strengths

and deliver growth through

Innovative and tailored solutions

AIR CAPABILITIES TEAM

Identify and develop how the defence sector can respond to future capability needs within the Air Domain.



Nigel Whitehead
Group MD, BAE SYSTEMS

INTELLIGENT SYSTEMS TEAM

Champion and develop the UK's Intelligent Systems capabilities, keeping them at the forefront of this growing and rapidly evolving sector through the integration of innovative technologies.



Victor Chavez
Chief Executive Officer, Thales UK

INTERNATIONAL BUSINESS TEAM

Provide an expertise hub and knowledge base to develop tailored UK defence solutions for overseas customers.



Peter Rogers CBE
Chief Executive Officer, Babcock

TECHNOLOGY & ENTERPRISE TEAM

Champion innovation, identify future needs, engage broadest possible span of technology providers, convert technology to capability.



Sir Brian Burridge
Vice President, Finmeccanica UK

DEFENCE GROWTH PARTNERSHIP

Jointly chaired by Michael Fallon, the Minister of State for Business and Enterprise at the Department of Business, Innovation & Skills (BIS), and Steve Wadey, Managing Director UK of MBDA on behalf of industry, the DGP aims to develop a long-term vision and strategy to build on the strengths of the UK Defence Sector. Philip Dunne MP, the Minister for Defence Equipment, Support and Technology; representing the UK customer perspective.

The DGP has established eight joint senior teams with representatives from Government and Industry, with the primary aims shown.



Michael Fallon MP
DGP Co-Chair



Steve Wadey
DGP Co-Chair



Philip Dunne MP

VALUE CHAIN COMPETITIVENESS TEAM

Ensure the UK has access to a world leading value chain, providing market differentiation in terms of innovation, capability and cost; fostering broad engagement especially with SMEs.



Stephen Fitz-Gerald
Chief Executive Officer, Marshall

SKILLS TEAM

Ensure that the UK has access to world leading business and engineering skills, providing market differentiation in terms of intellectual capital and coherence across adjacent sectors.



Allan Cook CBE
Chairman, SEMTA

ENGAGEMENT TEAM

To engage with our Stakeholder community, welcoming interaction and feedback, in order to build and develop our partnership.



Bob Stoddart
President Customer Business - Defence, Rolls-Royce

STRATEGY TEAM

To develop and coordinate DGP strategy, and provide project management for the overall programme.



Paul Crawley
Special Advisor, MBDA UK

GOVERNMENT & ADS LEADS



Huw Walters,
DGP Lead for BIS,
Head of Aerospace,
Marine & Defence



Graham Chisnall,
DGP Lead for ADS,
Deputy Chief Executive



Nick Payne,
DGP Lead for MOD,
Director, Commercial
Scrutiny & Industrial
Policy

“ Built on a rich heritage, UK industrial capability in the air sector is a real asset for the UK. The DGP provides an exciting opportunity to harness the best of UK capability and create a collaborative environment with our customers.

Nigel Whitehead, Group MD Programmes & Support, BAE SYSTEMS

Air Capabilities Team

BUILDING ON SUCCESS

The UK's strength in the air domain is founded on globally competitive capabilities in fixed and rotary wing aircraft platforms, complex weapons and associated sensors and avionics, supported by world leading capabilities in training, support and upgrade services.

This strength is underpinned by broad experience and skills in design, manufacture and support embedded within a wide range of UK companies that form an important part of delivering air capabilities for the UK, international partners and overseas customers.

The DGP will assess the full spectrum of future capability demands of domestic, international and non-defence customers in the air domain. Within this context the DGP will identify and develop how the UK Defence Sector can take advantage of the UK's strengths, to provide a focussed and coordinated response to customer needs, including exciting prospects for the future such as the emergence of Unmanned Air Systems.



NEXT STEPS

Government and Industry will establish a joint **Air Capabilities Team** to:

- Develop analysis of future market potential for next generation air capabilities, both in terms of platforms and systems
- Identify UK strengths and the critical capabilities to maintain in the medium to long term, to effectively deliver next generation capabilities to the market
- Identify how we can jointly respond to future military capability needs within the air domain by harnessing the best of UK capability and create a collaborative environment with our customers to allow exploration of requirements and candidate solutions
- Identify opportunities for greater synergy between the civil and defence sectors.



“ Intelligent Systems are key battle-winning differentiators and offer platform-agnostic growth markets in the UK and overseas. Exploiting the UK’s industrial strengths in this strategic sector will be critical to our economic and military future.

Victor Chavez, Chief Executive Officer, Thales UK

Intelligent Systems Team

ENABLING MILITARY ADVANTAGE

The UK Defence Sector excels in the development of electronics, software and systems integration that are the ‘intelligent systems’ found at the very heart of many military capabilities within maritime, land, air, space and cyber environments.

Intelligent systems are vital to providing clarity on the operational environment and delivering military effects with precision, and represent a growing proportion of the industrial value of many platforms and systems.

The UK’s strength in this domain is based on world-class skills in electronics, computing and software; capabilities that must make best use of emerging technologies, as well as responding to new challenges such as cyber warfare as they arise.

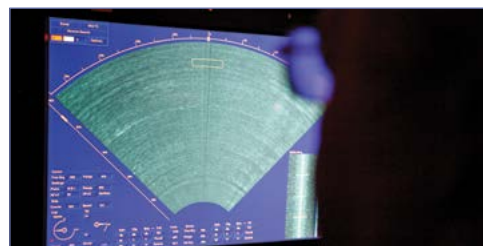
The DGP will focus on identifying and developing how the UK can continue to innovate and lead the way in this fast-evolving domain.



NEXT STEPS

Government and Industry will establish a joint **Intelligent Systems Team** to:

- Develop analysis of future market potential for intelligent systems
- Identify UK strengths in intelligent systems and sub systems, and the critical capabilities for the Defence Industry to maintain in the medium to long term, to develop a strategy for increasing the UK’s market share
- Identify opportunities for greater synergies between the civil and defence sectors for intelligent systems and sub systems
- Work together to develop the next generation of world leading intelligent system products and services.



“ The competition in export markets has never been fiercer. UK Industry and the Government must ensure that we draw on our full range of knowledge and capabilities to be the preferred choice of customer governments worldwide for both products and services.

Peter Rogers CBE, Chief Executive Officer, Babcock

International Business Team

ADDRESSING CUSTOMER NEEDS

Defence exports currently represent a great success story for the UK, with orders for equipment and services of £8.8bn¹² in 2012. They make a significant contribution to the UK economy and provide significant value in the diplomatic and defence relationships that they help to foster.

The Government is providing excellent support to the Defence Industry, but international competition is stiffening, and we need to do even better. We can do this by building on past successes where we have delivered capability and not just product, and by adapting our approach to meet the growing industrial and technology transfer needs of potential overseas customers. In addition to major Prime Contractor opportunities, we will support SME-led export opportunities with new customers.

Cooperation between nations is the trend, particularly for platform-based requirements. Industry needs to play an important role in identifying and promoting opportunities for cooperation, bringing together domestic defence needs with those of other nations.

The Defence Sector also needs to define a range of new business and financial models that are flexible and provide new ways to invest in the development of equipment and services. It must recognise that the dynamics between public



and private finance are shifting. In addition, they will need to facilitate a range of collaborative models, offering flexibility and adaptability to meet the needs of both domestic and international customers.

NEXT STEPS

Government and Industry will establish a joint **International Business Team** to:

- Develop a more co-ordinated approach to defence trade across Government and Industry, resulting in tailored defence solutions to overseas customers
- Identify through life support and training solutions that leverage the best of those provided to and by our Armed Forces
- Develop a joint approach to identify and promote opportunities for international cooperation and collaboration
- Define new business and financial models that deliver flexibility and new ways to invest in the development of equipment and services.

“ No day is the same. Technology in the UK Defence Sector is truly state of the art, I wanted to be where I could be part of creating and innovating technology, something set apart from the everyday.

Sean Ngo, Graduate, Electromagnetic Engineer, QinetiQ



“ It has long been recognised that ‘technological edge’ is a key component of battle-winning defence equipment. This calls for a partnered approach between Government and Industry to develop and exploit world-class technologies to meet UK and global market needs. ”

Sir Brian Burridge, Vice President, Strategic Marketing, Finmeccanica UK

Technology and Enterprise Team

HARNESSING INNOVATION

Science and technology underpins the Defence Sector. It is essential for the long-term future of the sector, that we focus our investment in research and technology to enable leading edge military capability, enhance competitiveness and support exportability.

Rapid advances in civil industries such as information and communications technology offer exciting opportunities. The Defence Industry needs to develop new means to trigger the rapid exploitation of such advances.

The DGP will explore how better to exploit the innovation found in the academic science base and industrial research and development programmes. There needs to be greater focus on the pull-through of research both from civil and defence sources into commercial prospects. The team will also consider new business and financial models to stimulate the creation of intellectual property and to exploit investment in research and development more efficiently. It will identify where effort is stove-piped or lacks visibility and seek to promote a more transparent ‘body of knowledge’.

International collaboration in research and development is increasingly important for both Government and Industry. The DGP will advocate



ways that the UK Defence Sector can capitalise on such opportunities.

NEXT STEPS

Government and Industry will establish a joint **Technology and Enterprise Team** to:

- Champion innovation and its exploitation into new UK defence products, services and manufacturing methods
- Consider new business and financial models for defence research and development
- Identify key future customer defence needs and develop co-ordinated technology roadmaps
- Build stronger, more co-ordinated links between Government, Academia, SMEs and the wider Defence Industry
- Stimulate greater pull-through of technology from civil into defence and the use of potentially disruptive technology.



“ At a time of great challenge in the global defence marketplace, it is vital that the UK does everything it can to enable innovation and enhance competitiveness at all levels of its value chain to create a sustainable world class Defence Industry. ”

Stephen Fitz-Gerald, Chief Executive Officer, Marshall Aerospace

Value Chain Competitiveness Team

IMPROVING EFFICIENCY

The defence market is global, dominated at the top level by increasingly international businesses with operations all over the world. The defence value chain consists of prime contractors, their partners and supply chains in the UK and overseas.

The UK's defence value chain is broad and diverse with a range of capabilities spanning from prime contractors able to deliver a complete platform or weapon system, providing complex integration, high-volume and capital-intense manufacturing, through to a broad spectrum of SMEs.

However, our value chain must challenge itself to be at the forefront of innovation and competitiveness. The good news is that the UK Defence Sector is already forging ahead in some areas. It is able to respond rapidly and competitively to meet urgent operational needs. It is also adapting to the realities and challenges of the changing market by implementing new business models and strengthening the supply chain and associated involvement of SMEs.

These pockets of best practice are not enough. We need to ensure that they are systematically aligned through a broader strategic plan, with active involvement across Industry.



NEXT STEPS

Government and Industry will establish a joint **Value Chain Competitiveness Team** to:

- Identify ways to enhance the global competitiveness of the UK's defence value chain; covering prime activities and their associated supply chains, to provide differentiation in terms of capability, cost and market access
- Identify how to foster competitiveness and innovation in the UK supply chain and provide increased market access for the SME community
- Examine the UK Defence Sector to ensure competitiveness is not adversely affected by over capacity
- Develop a strategic plan to harness and exploit examples of best practice throughout the sector.

“ The formation of the DGP is fully supported and welcomed by the Smaller of the Defence Companies such as MSI-Defence Systems who play a vital role in the UK Industrial Base providing innovative Products and Support for both the Home and Export Markets. ”

David Hansell, Managing Director, MSI-Defence Systems



“ The DGP will ensure that parents, schools and further education establishments are aware of the rewards and opportunities that the UK Defence Sector can provide for talented young people to create their career and help us to maintain and improve our competitive position. ”

Allan Cook CBE, Chairman of SEMTA

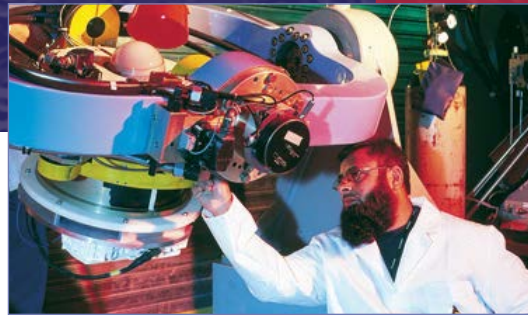
Skills Team

NURTURING TALENT

The Defence Sector depends on access to skills which enable it to innovate, design, develop, support, maintain and upgrade complex, technically advanced systems and sub-systems. The workforce is highly skilled, educated, flexible and capable of applying a wide spectrum of engineering skills, both mainstream and niche. It includes many graduates and specialist technicians and the sector has a proud tradition of high quality, high value-added apprenticeships.

However, the sector faces the challenge that, whilst there being nearly 2.5 million students in UK universities, only 6%¹³ are studying engineering and technology. This means that greater coordination is required in order to ensure that the UK avoids a major skills gap over the next 10 years. The DGP will link with existing UK Government initiatives to enhance the supply and attractiveness of STEM¹⁴ subjects in the curriculum and in further and higher education. This will help ensure the development of suitably talented people, with the right skills, in the UK.

In addition, the Defence Industry is committed to investing in the next generation of graduates and apprentices, creating much needed career opportunities for young people in the UK, thereby ensuring we have the skills needed for the future of the sector.



NEXT STEPS

Government and Industry will establish a joint **Skills Team**, linked to the Aerospace and Defence Sector Strategy Group (ADSSG)¹⁵, to:

- Develop in co-ordination with the ADSSG, an applicable skills strategy for Defence
- Establish an ongoing assessment of the demographics of the Defence Industry
- Identify the current and future critical skill needs for the Industry
- Promote the image of the Defence Sector to make it an attractive career choice for talented people
- Identify examples of best practice and opportunities to improve links between Academia, trade associations, Government and Industry
- Ensure we develop a co-ordinated approach with sectors in adjacent markets facing similar issues, such as aerospace.

“ The Defence Industry has a real focus on skills and training. I have had the opportunity to develop and grow, learning tacit knowledge from colleagues within a fast paced working environment as well as obtaining high level qualifications. ”

National Higher Apprentice of the Year 2012
Beth Sherbourne, Senior Procurement Officer, MBDA UK



13. Universities UK, Higher Education Facts and Figures, Summer 2012

14. Science, Technology, Engineering and Manufacturing

15. The Aerospace and Defence Sector Strategy Group is a joint ADS and SEMTA (the Sector Skills Council for Science, Engineering and Manufacturing Technologies) group.

“ The UK Defence Industry is a vital national asset for the security of our country, a significant contributor to exports and the provider of many thousands of high value jobs to our national economy. The DGP offers a unique opportunity to reshape that industry for the next generation of high technology challenges we face. We must seize this moment and use it to maintain our technological lead, both at home and abroad.

Bernard Gray, Chief of Defence Materiel, MOD



Looking Forward

A VITAL SECTOR

The Defence Industry is vital to assuring our national security and is a major contributor to the UK economy, with over £22 billion of annual revenues; employing 155,000 people directly, with a further 145,000 people indirectly employed in the supply chain¹⁶. It is the largest exporter of defence equipment and services in Europe, and the second biggest in the world.

SEIZING THE INITIATIVE

Based on analysis, consultation, and independent assessment, this report has set out our strategic vision and focus for the UK Defence Sector and the programme of work for the DGP.

This strategic vision aims to maintain the UK's current position as number two in global defence exports and will seek to provide further growth in an achievable timeframe.

SECURING PROSPERITY

Over the course of the next year we will work intensively through joint senior teams, consulting broadly, to develop and agree a clear actionable implementation plan to secure a thriving and competitive UK Defence Sector.

We will report back progress, with the implementation plan, at the Farnborough International Airshow in the summer of 2014. Working in partnership, we can achieve this.



“ A strong UK Defence Industry which can succeed internationally matters to us all. Working together through the DGP is key to Government and Industry achieving its ambition of continued success in the global market place.

Richard Paniguian, Head, UKTI Defence & Security Organisation



16. See footnote 1

“ Through the DGP, Government and Industry have come together to help support the future success of the UK Defence Sector. A strong Defence Industry is critically important to protecting national security, supporting our troops and contributing to economic growth and this partnership is critical to maintaining the UK’s long-term defence capabilities and competitiveness. ”

Paul Everitt, Chief Executive, ADS

“ This initiative is driven by a responsibility on the part of Industry to firstly provide our Armed Forces with the highest quality of products and capabilities, secondly to ensure present and future generations of engineers and employees in our industry have a sustainable and prosperous careers and thirdly make our contribution to our nation’s success in winning the global race. ”

Robin Southwell, Chief Executive Officer, EADS UK

“ Cobham welcomes this initiative and supports the vision for growth. Government and Industry need to work more closely together, and this partnership will strengthen the UK’s position significantly. ”

Bob Murphy, Chief Executive Officer, Cobham

“ As a number of friendly states and allies globally are looking to modernise their defence capabilities tremendous opportunities are emerging for increasing sales of platforms and services to defend national sovereignty. The UK Government’s support and direct involvement in DGP will add fuel to the engine of the UK economy through sustaining and creating high-value jobs and increasing export earnings for the UK national economy. ”

Stephen Ball, Chief Executive, Lockheed Martin UK

“ The UK is at the forefront in developing and implementing new business and financial models for the provision of both capability and support services. The DGP will provide the focus for UK Government and Industry to jointly promote these models and ideas into international defence markets for the benefit of the UK. ”

Andrew White, Chief Operating Officer UK & Europe, Serco

“ We are committed to working with the Government and Industry colleagues to develop a new approach to maintain and grow the UK’s unique global position in the defence market. ”

Bob Delorge, Chief Executive Officer, Raytheon UK

“ Ensuring our Armed Forces are equipped with the best available technology supportable from a UK technology base is a challenging task in modern times. The DGP will strengthen our ability to deliver this challenge and to promote growth within the sector, the commitment between Government and Industry to drive this initiative forward is a very welcome development. ”


Steve Rowbotham, Chief Operating Officer, General Dynamics UK

“ HP provides services and solutions for defence and national security to help governments around the world overcome the challenges they face. Through this work, we recognise the importance to Her Majesty’s Government of maintaining its competitive edge by working closely with Industry. ”

Mike Hirst, Managing Director, HP Defence

“ UK defence investment has delivered life-changing technologies for both front line forces and national prosperity – from radar to jet engines, carbon fibre and liquid crystal displays. Sustaining this in a world of contracting budgets requires exactly the boldness of the DGP to maximise the strengths of supply- and demand-side. Hence too our commitment to The 5% Club, measuring industry’s on-the-job training of our vital next generation of innovators. ”

Leo Quinn, Chief Executive Officer, QinetiQ



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