

## **ADS Contribution**

### **Government Review of the Balance of Competences between the United Kingdom and the European Union**

#### ***Call for Evidence – Research & Development - (Department for Business, Innovation and Skills)***

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#### **About ADS**

ADS is the premier trade association advancing the UK's Aerospace, Defence, Security and Space industries, with Farnborough International Limited, the organisation that runs the Farnborough International Airshow (FIA), a wholly-owned subsidiary. ADS comprises around 900 member companies across all four industries, with over 850 of these companies identified as Small and Medium Size Enterprises (SMEs). 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. With strengths in both manufacturing and innovation, the four sectors that ADS represents support one million UK jobs, export £22bn and invest around £3bn in Research & Development on an annual basis.

#### **Summary of ADS Contribution**

- ***UK Industry relies on ability to access R&D funding***  
In high technology industries such as Aerospace, Defence, Security and Space, businesses and companies throughout the supply chain rely on the ability to access funding for innovation. The continuous demand from customers for improvement in technology, alongside the relatively long lead times from design to delivery, mean that R&D funding and support is vital to ADS member companies.
- ***The UK should ensure its businesses obtain substantial funding from Horizon 2020***  
Horizon 2020 represents the largest opportunity for UK companies to gain access to EU funding for innovation. The UK must ensure that throughout future negotiations, it is able to secure funding for R&D projects throughout the supply chain and improve delays to funding access.
- ***EU targets for R&D projects increases focus on results and industry collaboration***  
UK industry is driven to deliver results and increase technological collaboration when EU goals and targets are supported through funding for R&D projects. For the UK aerospace industry in particular, EU strategy for maintaining global leadership in the design and engineering aspects of aeronautics allow UK companies to seek out innovation funding and achieve success.
- ***A growing UK Space industry must retain influence and support within the EU***  
The UK benefits from providing funding and support to EU level space development projects, through increased collaboration and influence in European Space Agency (ESA) decision making.

## **1. Research & Development and the UK Aerospace, Defence, Security and Space Industries**

- 1.1. Research & Development is crucial to the Aerospace, Defence, Space and Security industries in the UK. The successful establishment of the Aerospace Growth Partnership (AGP) and the on-going work being carried out to develop a Defence Growth Partnership (DGP) are aimed at identifying the areas of investment needed from government and industry that will lead to an export-led growth for the sectors. Investment in the research and technology base is fundamental to the successful delivery of both of these Growth Partnerships.
- 1.2. Access to funding from the European Union in order to support the work of UK industry on research and innovation is therefore vital. In the security sector alone, around 500 ADS Members are engaged in growing security, resilience and policing markets, both at home and overseas. Most R&D funding in the security sector is self-funded, with ADS member companies self-financing 90% of their R&D. With public sector funding under pressure in the UK, government departments have signalled that many businesses and companies will increasingly have to look to the EU for R&D funding.
- 1.3. As such, ADS's contribution will seek to consider key areas of EU competence surrounding research & development, which impact specifically upon the UK's aerospace, defence, security and space industries. It should be noted that the purpose of this contribution is not for ADS to determine whether the UK would benefit from either being part of or independent of the European Union. ADS believes that as the EU and its institutions currently play a key role in shaping the operating environment for UK companies, the UK must seek to maximise its influence – in whichever capacity – in order to support and expand economic growth, trade and global competitiveness.

## **2. Horizon 2020 and UK access to EU funding**

- 2.1. The single largest opportunity for UK industry to leverage non-UK investment is the EU's Horizon 2020 (H2020) programme. With an €80bn overall budget, the drive for increased research and innovation as a part of the push for new growth and jobs in Europe, means the UK's highly technical and research-led industries such as Aerospace, Defence, Security and Space are uniquely placed to gain from available EU funds.
- 2.2. The UK's relationship with and involvement in EU R&D funding decision making and project allocation within the Horizon 2020 budget, must seek to improve bureaucratic procedures for funding applications and signal that there is a clear economic benefit and market opportunity focus for any research project under consideration. This will ensure that industry is able to focus on those areas of technology it sees as vital for future customer demand. Such focus is also dependent upon UK industry's access to EU funding, and is key in order support the UK's push for growth.
- 2.3. In addition, the UK must seek to improve aspects of its own national approach to research projects and the ability of these projects to successfully obtain EU funding. Currently, individual, localised research proposals from UK universities are often effective at attaining EU funding; however, further external investment into stovepiped research programmes reinforces the UK's research capability. A failure to act with one voice through central research hubs leaves the UK unable to leverage and spend EU funding as effectively as is possible.
- 2.4. The fragmented nature of the UK's research capability is a barrier to the aims of joined-up Government-industry industrial strategies. As Western nations place a greater emphasis on high-tech, advanced manufacturing, the UK will be at a disadvantage to other EU countries whose

research infrastructure is more integrated - such as the German Aerospace Centre (DLR) and the French ONERA. As centres of excellence at critical mass of research infrastructure, the DLR and ONERA are better able to attract global industrial investment and leverage additional EU funding.

- 2.5. ADS believes that it is vital that the UK ensures that it is able to successfully access EU funding as a member state with strong, growing industries such as Aerospace and Space,. Alongside this, the UK must seek to re-work many of the EU procedures which delay funding decisions and have knock-on consequences on businesses across the supply chain.

### **3. EU R&D funding targets and the ambition of industry to deliver**

- 3.1. UK industry also benefits from some of the ambitious goals which the EU sets and support mechanisms which it develops to deliver these goals. These aims focus on improving technology and drive business and companies to continue to foster innovation, deliver tangible results and increase collaboration amongst on projects that will benefit the overall industry.
- 3.2. The EU Commission's 'Flightpath 2050' is an example of where the UK benefits from working within EU goals, as the strategy puts significant focus upon 'maximising the aviation sector's economic contribution and creating value'. Flightpath 2050 also seeks to maintain European leadership in Aerospace manufacturing, creating greater demand throughout the EU's supply chain. As Europe's leading Aerospace industry, the UK is therefore uniquely placed to gain from these aims, alongside the subsequent support and funding the EU is able to offer.

### **4. UK Space industry and the EU**

- 4.1. The UK's space industry currently benefits significantly from its strong relationship with the EU and the European Space Agency (ESA). Support and funding of projects from UK industry through ESA ensures that the UK not only utilises its European influence to continue to develop the strong national industry growth curve of UK Space, but also that there is protection for industry from any potential reductions in funding that could occur as a result of further repatriation of support mechanisms to a purely UK and national based competence.
- 4.2. EU competence over Space means that UK can be involved in new, pan-European, on-going and profitable projects which are being progressed through the European Space agency – allowing industry to showcase the skills and unique capabilities in innovation and technology that the UK can offer. UK companies benefit from the UK's ability to assist in funding programmes such as Galileo, which in turn involve numerous EU member states and member state businesses, and supply a far greater share and allocation of funding than could be reached at a purely UK unilateral level. Indeed, the recent announcement by Science minister David Willets for an investment of £200m of government funds into the UK's space sector is seen as a direct result of increased UK investment in ESA.

### **5. Conclusion**

- 5.1. For the UK's Aerospace, Defence, Security and Space industries, access to funding for R&D is essential. In a technology rich environment, the UK must continue to ensure that national businesses and companies are able to compete with those across Europe for funding to support their R&D projects. Developing innovation and maintaining UK leadership in speciality areas across all four industry sectors is vital in order for these companies to succeed in a global market, with ever increasing competition from emerging economies.

