

A RENEWED INDUSTRIAL STRATEGY FOR THE UK

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**Securing the
UK as a world-leader
in advanced manufacturing**



INTRODUCTION

The United Kingdom is a hub of technological breakthroughs and innovation. In this effort, the UK aerospace, defence, security, and space sectors are vital engines of economic growth and pillars of our national security. However, the rapidly evolving technological landscape, the pressing need to meet the UK's Net Zero commitments and increasing international competition have brought our sectors to a crucial turning point.

ADS, the trade association representing the UK's aerospace, defence, security, and space sectors, believes that a refreshed, ambitious, and bipartisan industrial strategy is necessary to navigate these challenges and secure the UK's position as a global manufacturing powerhouse. This paper provides the context and reasons for such an approach and outlines the measures that can turn this strategic vision into reality.

THE CONTEMPORARY INDUSTRIAL LANDSCAPE AND THE NEED FOR A RENEWED STRATEGY

In today's era of digitalisation and fierce competition for skilled labour, the industrial landscape is more competitive than ever. Countries worldwide, recognising the crucial role of manufacturing in their economies, are implementing clear and directed industrial strategies to champion companies both small and large, enhance domestic capabilities, and secure competitive advantage.

The leading example of this is the United States, with the introduction of its Inflation Reduction Act (IRA), but there are many others, such as the EU's proposed Net Zero Industry Act. In the absence of a comparable approach, the UK risks falling behind and seeing investment go to other countries, particularly in sectors that form the backbone of its industrial prowess.

The challenge is magnified when we consider the broader environmental challenge. The urgent global imperative for a transition to net zero has introduced a new layer of complexity for UK manufacturing. High operational costs, acute skill shortages, and inconsistent policy exacerbate the task of aligning industrial growth with environmental commitments. If these issues remain unaddressed, they threaten to diminish the UK's competitiveness and constrain its potential for economic growth and innovation.



ARTICULATING THE CASE FOR AN INDUSTRIAL STRATEGY



The strategic significance of the aerospace, defence, security, and space sectors for the UK extends beyond their direct economic impact. They are a cornerstone of advanced manufacturing in the UK, indirectly supporting over a million jobs across all our regions and nations, driven by companies of every region and nation.

Meanwhile their products and services underpin a wide range of other sectors and directly support the UK's armed forces, law enforcement and security services, contributing to the resilience and strength of the UK economy. However, their potential extends even further. These sectors can play a leading role in driving the UK's transition towards a Net Zero

economy, given the scope they offer for technological innovation and sustainable growth, and in modernising how we make things and the way we work. Moreover, as areas of strategic national importance, our sectors can serve as catalysts for attracting investment, fostering talent, and enhancing the UK's global stature.

This potential, however, can only be realised with a supportive policy environment. A Renewed Industrial Strategy would provide a clear vision and roadmap for our sectors, enabling them to continue to innovate, grow, and compete globally.

RECOMMENDATIONS FOR A RENEWED INDUSTRIAL STRATEGY

1 THE DEVELOPMENT AND IMPLEMENTATION OF A BOLD AND AMBITIOUS INDUSTRIAL STRATEGY

This strategy must integrate the perspectives of both government and industry, aligning their efforts to achieve UK advantage. This should involve the statutory establishment of an Industrial Strategy Council that would oversee policy formulation, coordinate strategic decision-making, and ensure continuity and coherence in industrial policy.



2 THE REINFORCEMENT OF PARTNERSHIPS BETWEEN THE GOVERNMENT AND INDUSTRY

This includes providing a stable, long-term footing for critical institutions like the Aerospace Technology Institute and reinforcing the industry Growth Partnerships across the four sectors. Such institutions and structures are crucial for fostering collaboration, promoting research and development, and catalysing growth within the sector.



3 THE CREATION OF A COMPETITIVE AND STABLE INVESTMENT ENVIRONMENT

This must provide clarity and stability to industry about the UK's investment landscape and ensure appropriate investment and financial support exists. For example, this includes making full-expensing permanent, encouraging patient capital, and maintaining the international attractiveness of any future R&D tax credit scheme. It must also protect defence and security companies' access to investment and basic business services, which have been threatened by shifting reputational risk appetites by ESG investors.



4 THE COORDINATION OF A JOINT INDUSTRY-GOVERNMENT NATIONAL EFFORT TO ADDRESS SKILLS SHORTAGES

In the short term this should include creating a nuanced visa policy that allows industry to access overseas talent temporarily to meet national priorities, especially in some engineering and cyber roles. In the medium to long term, however, the UK needs to see reform to the Apprenticeship Levy to enable greater flexibility of use, strengthened connections between academia and industry to tailor education and training programmes to meet domestic skills requirements, and promoting the attractiveness of careers in advanced manufacturing.



5 THE DELIVERY OF AN ENABLING, PROACTIVE, AND WELL-RESOURCED REGULATORY ENVIRONMENT IN THE UK

In a range of emerging technology areas there are opportunities for the UK to establish global regulatory leadership, from supporting the adoption of artificial intelligence systems to enabling the future of flight – including electric Vertical Take-Off and Landing (eVTOL), drones and space launch – to the considered use of facial recognition systems for public safety and security. To achieve this the UK must ensure that it has the right level of resourcing to carry out vital regulatory tasks.



CONCLUSION

The need for a robust, coherent, and forward-looking industrial strategy is of paramount importance. By setting a clear and decisive direction for the future, the UK Government can send a strong market signal, demonstrating its commitment to supporting companies across the supply chain in the aerospace, defence, security, and space sectors.

If the government recognises the strategic value of these sectors and responds with a coordinated policy approach, the UK can secure its position as a leading player in advanced manufacturing. The UK must not miss its opportunity to consolidate its place in the global economy as a hub for future technology and innovation.





*Securing
UK advantage*

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