



*Securing
UK advantage*

ADS PRIORITIES FOR THE 2025 INDUSTRIAL STRATEGY



CRAFTING A PLAN FOR GROWTH

IN AN ERA OF GLOBAL COMPETITION

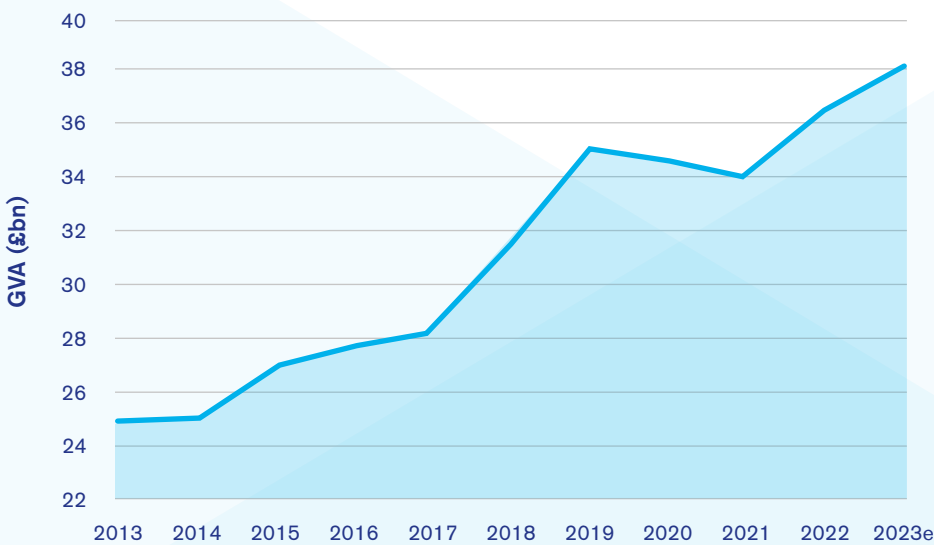
This Government's commitment to deliver a Modern Industrial Strategy is to be welcomed. In an era of increasing global competition, the UK cannot afford to be passive if it wants to achieve economic growth, national security and sustainability simultaneously. To harness the full potential of our nation, the Government must make strategic decisions that capitalise on our foundational strengths while addressing emerging opportunities. A data-driven, long-term approach to industrial policy, aligned through meaningful government and industry collaboration, will ensure the UK remains a global leader in advanced sectors such as aerospace, defence, security and space.

PRIORITISING STRATEGIC SECTORS

Together, our sectors are essential to the UK's prosperity and global influence. The UK's aerospace, defence, security and space sectors employed over 427,000 individuals and generated £38.2bn in added value to the UK economy in 2023 alone. These strategic national assets act as critical drivers of economic growth with a proven track record of growth that has seen Gross Value Added (GVA) increase by 50% in the last decade, offering high-quality jobs and fostering innovation across the nation.

The value add of ADS sectors to the UK economy and our way of life continues to grow...

Value add of aerospace, defence, security and space



ADS SECTORS ARE AT THE HEART OF UK ADVANCED MANUFACTURING AND INNOVATIVE DIGITAL SERVICES

The UK civil aerospace sector, for instance, holds a substantial position in the global aircraft supply chain. With a record backlog of 15,818 aircraft orders, this industry could contribute £250 billion to the economy over the next decade if bottlenecks in the supply chain are fixed as an urgent priority. The UK defence sector is crucial to protecting our way of life, whilst simultaneously driving technological advancements with dual-use applications. The security and space sectors are critical enablers, safeguarding critical infrastructure, underpinning the modern connected society, and supporting national resilience. Together, our sectors are indispensable for achieving the UK's economic and strategic goals and should be recognised accordingly in the Government's Industrial Strategy.



THE AEROSPACE, DEFENCE,
SECURITY AND SPACE
SECTORS' CONTRIBUTION TO
THE UK ECONOMY TOTALLED

VALUE
ADD OF
£38.2BN

50%
GROWTH OVER
10% YEARS

COMBINED GVA
ACCOUNTING FOR
18%
OF ALL MANUFACTURING
GVA



£88.4BN
TURNOVER

TACKLING BARRIERS TO GROWTH

Against a backdrop of many years of anaemic national growth, the Government's single-minded mission in pursuit of economic growth is necessary. However, prosperity cannot be sustainably delivered through governmental action alone, but instead through partnership that unlocks the full potential of our sectors. Several structural challenges must be addressed through the Industrial Strategy against the backdrop of a tough first Budget by this Government.

SKILLS AND WORKFORCE

A shortage of skilled workers across our sectors threatens to undermine growth. Addressing this requires speedy reform to the Apprenticeship Levy to provide greater flexibilities and simplifying access to training funds. This should be accompanied by new workforce mobility measures and enhancements to STEM education. Localised initiatives, involving employers and educational institutions, can also align skills pipelines with regional economic needs.



ACCESS TO FINANCE

Long investment cycles and the capital-intensive nature of our industries demand innovative financing solutions. Long-term capital investment mechanisms could provide critical support for SMEs and mid-tier companies. Additionally, reforms to banking, equity funding practices, and ESG considerations are necessary to sustain long-term growth.



LONG-TERM CERTAINTY AND STABILITY

Without a stable business environment, uncertainty around the UK's political environment can corrode any appetite to investment. This Government must maintain its commitment to provide stability and recognise that providing clarity on long-term requirements, especially in defence, security and space, is a significant determinant of private investment.



REGULATORY MODERNISATION

Effective regulation must balance safety and innovation. Existing regulators and the new Regulatory Innovation Office should adopt agile frameworks that facilitate the deployment of emerging technologies, including electric vertical take-off and landing aircraft and biometric security systems, and set out a new competitive approach to subsidy control.



SUPPLY CHAIN CHALLENGES

Access to raw materials, high energy costs, and legal, financial and regulatory requirements for SMEs have all hit supply chains in the UK aerospace, defence, security and space sectors hard recently. A proactive and collaborative approach to delivering economic security is needed, through enhanced support for supply chains.





CROSS-SECTORAL SYNERGIES

Interlinked supply chains and cross-sectoral spillovers are essential for sustaining a thriving and resilient domestic industrial base, but also intrinsic to our sectors. The aerospace and defence sectors, for example, share technological innovations that enable economies of scale and enhance competitiveness. The space and security industries, too, act as enabling sectors, with technologies like GPS and secure networks underpinning broader economic activity.

Recognising and leveraging these cross-sectoral links will enable the UK to amplify its strengths, secure foreign investment, and strengthen its industrial foundations. To achieve this, the Industrial Strategy must create formal structures for coordination not only across government departments but also with existing successful industry-government initiatives, most notably our sector Growth Partnerships.



ENHANCING COLLABORATION FOR EMERGING TECHNOLOGIES

The Government must establish robust mechanisms to engage industry and academia in mapping future technology pathways and to share sensitive information on future threats and capability requirements. Candidly, expertise on the technologies of tomorrow typically sits outside of government. Forums such as the Aerospace; Security and Resilience; and Defence Growth Partnerships offer proven models for driving these forms of collaboration and innovation.

A strategic focus on shaping consolidated and simplified innovation ecosystems, supported by targeted government policies, will ensure industry and academia can maintain the UK's strategic advantage and cement the UK's leadership in critical areas such as artificial intelligence, quantum computing, and advanced materials.

Incorporating advanced analytics and AI into public services will also boost productivity at a time of fiscal restraint.



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INFRASTRUCTURE FOR SUSTAINABLE GROWTH

To remain competitive, the UK must invest in advanced infrastructure to support innovation and sustainability. This should extend beyond urban centres to include remote sites critical to the aerospace, defence, security, and space sectors to ensure that the proceeds of growth are distributed equitably. These industries often serve as the primary employers in rural regions, offering skilled, well-paid jobs. Investing in infrastructure, transport, schools, and local skills initiatives will enhance these efforts.

By fostering such clusters, the Government can drive regional growth, attract investment, and ensure the benefits of industrial expansion are shared across all parts of the UK. Additionally, the transition to hydrogen and sustainable aviation fuels will require not only technological advancements but also aligned policies and incentives to build production and distribution networks.



STRENGTHENING EXPORTS AND INTERNATIONAL COLLABORATION

The UK's aerospace, defence, security, and space sectors are highly export-oriented, generating £38.7 billion in exports in 2023. Maintaining and expanding this global footprint requires robust government support for international trade. Strengthening relationships with major trading partners, such as the US and EU, and securing access to emerging markets in Asia and the Middle East will be essential.

This calls for a more robust pursuit of the UK's national interests overseas through national export campaigns, the prioritisation of exportability in procurement at the outset, and a competitive approach to domestic regulation-setting.

THE UK'S AEROSPACE,
DEFENCE, SECURITY, AND
SPACE SECTORS ARE HIGHLY
EXPORT-ORIENTED



£**38.7**BN
EXPORTS IN 2023





A LONG-TERM VISION

The Industrial Strategy must provide certainty and stability for businesses, particularly in sectors such as ours that require lengthy investment cycles. Clear, sustained funding commitments to programmes such as the Aerospace Technology Institute (ATI) and predictable tax policies will encourage investment and innovation. As well as supporting early-stage research, the UK should place greater emphasis on the commercialisation and scaling of new technologies to end the age-old UK cycle of good discovery and poor exploitation.

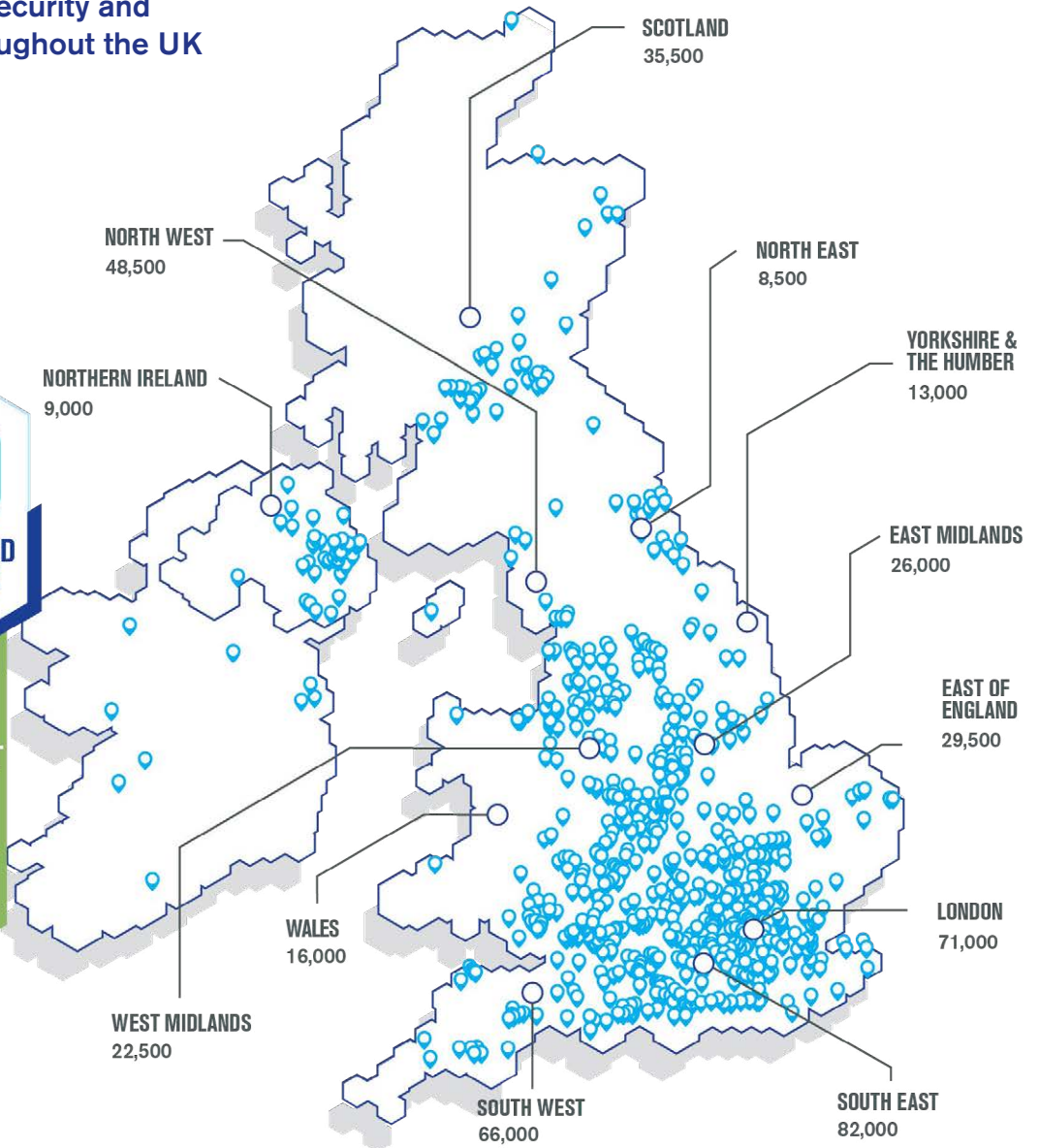
Incorporating these priorities into a long-term, place-sensitive Industrial Strategy will position the UK well to address global challenges while building a sustainable and prosperous future. By fostering cross-sectoral synergies, tackling blockers to investment, and leveraging our sectors for strategic advantage, the UK can craft a plan for growth in an era of global competition.

Our sectors deliver highly skilled employment, security and prosperity throughout the UK

23,000
APPRENTICES EMPLOYED
ACROSS OUR SECTORS

2 OF EMPLOYMENT
IS OUTSIDE
LONDON AND
THE SOUTH EAST

3



 INDICATES THE LOCATION OF ADS MEMBERS



ABOUT ADS

ADS is a trade association for the UK's aerospace, defence, security, and space industries, representing more than 1400 members. We work with those sectors to secure the UK's advantage, enhance our international positioning as a go-to destination for innovation, and deliver on our sustainable leadership goals.

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