



Briefing on the UK defence industry ahead of the Strategic Defence and Security Review

A|D|S is the trade organisation advancing UK Aerospace, Defence, Security and Space industries. It was formed from the merger of the Association of Police and Public Security Suppliers (APPSS), the Defence Manufacturers Association (DMA) and the Society of British Aerospace Companies (SBAC) in October 2009 to become the national trade association for these sectors in the UK. For more information see www.adsgroup.org.uk or www.twitter.com/ADSGroupUK.

Ahead of the Strategic Defence and Security Review, due in to report in the autumn, A|D|S has prepared the following short factual briefing on the current state of the defence industry with links to other online resources for your reference. Defence is one of the few industries in which the UK is still a world leader and it is the jewel in the crown of UK manufacturing, representing 10 per cent of this economic activity. Further information is also available on request including the source figures for the departmental spending chart (see below for contact details).

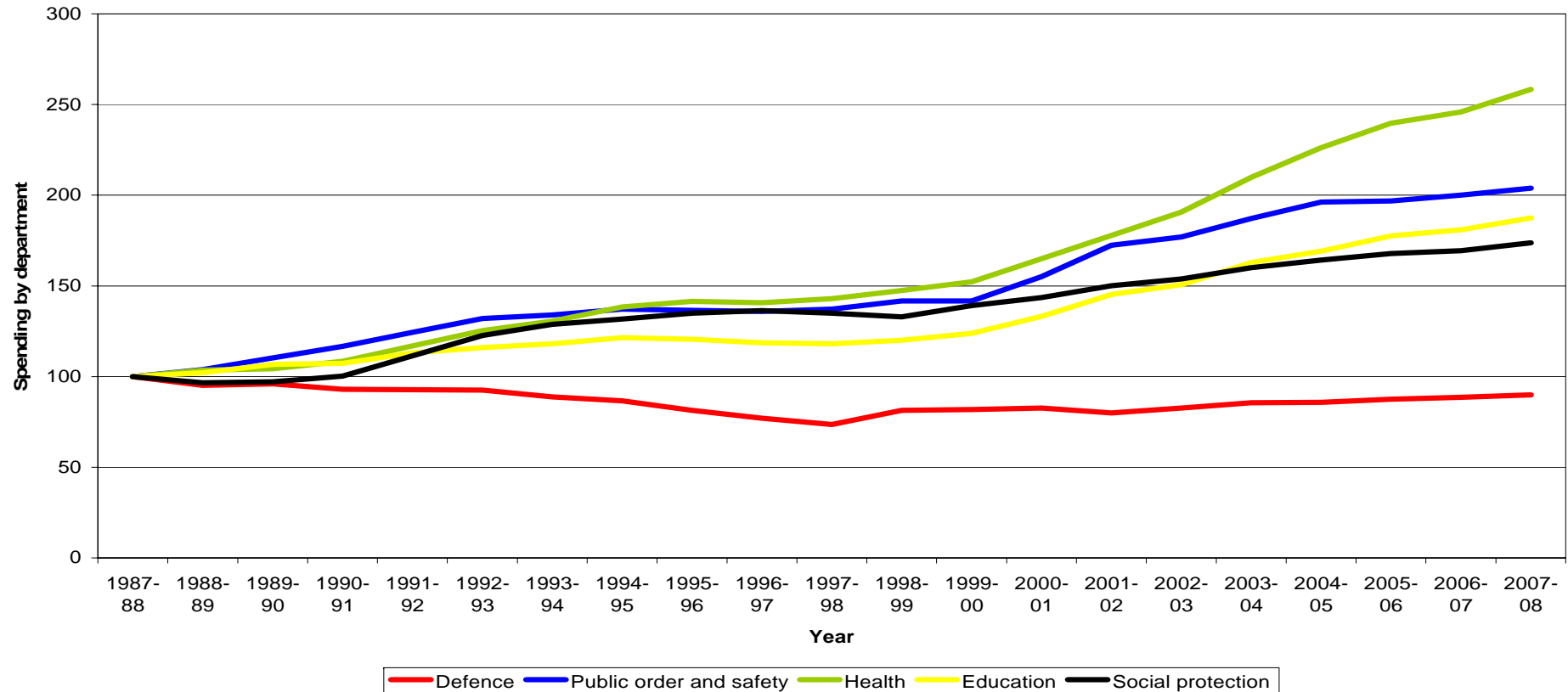
The UK defence sector is number one in Europe and second only to the US globally. UK exports are consistently worth over £5 billion per year and the UK has over 20 per cent of the global defence exports market. Two reports for the Defence Industries Council (DIC), one of which was prepared by Oxford Economics, were published in September 2009 looking at the contribution made by the industry to the UK's armed forces and the British economy. These are available at <http://tinyurl.com/dic2009>. The reports confirm that over 300,000 people work in the defence industry in all regions of the UK (a regional breakdown is available in the report). These high-tech and long-term jobs are provided by the £35 billion UK-based sector, which supports Britain's armed forces and Government-approved partner nations through exports of defence equipment. The recent A|D|S aerospace sector survey, which includes defence aerospace and figures for exports to different regions of the world and other data, can be found at <http://tinyurl.com/adssurvey2010>. An updated half yearly report for 2010 post the Farnborough International Airshow can be found at <http://tinyurl.com/adspostfias2010>.

Further defence facts:

- The share of defence expenditure as a percentage of government spending has dropped from 10 per cent to 5 per cent over the last two decades, at a time when the deployment of the armed forces has seen a significant increase. Furthermore, defence Research & Technology funding – the seed corn financing for the future capabilities of our armed forces and our industry - has been cut by 23 per cent over the last three years.
- A £100 million investment in the defence industry generates an increase in gross output of £227 million, and increases Exchequer revenues by £11.5 million. This means the industry has an output multiplier of 2.3, ranking it above the median of the 27 sectors considered. This reflects both a strong UK based supply chain and a relatively high wage level paid to workers. For every job created in the defence industry, 1.6 jobs are created elsewhere in the economy.
- The UK is second only to the US in global defence export terms and as recently as 2007 the UK surpassed this position to be the leading defence equipment exporter to the world before returning to its usual position in second place behind the US with £7.2 billion in exports in 2009. Defence exports support around 65,000 jobs in the UK.
- The UK defence sector has more small and medium sized enterprises (SMEs) than France, Germany, Italy, Spain and Norway combined. This provides an agility and innovative capability that enables the industry to meet the needs of our armed forces quickly and to their specifications informed by battlefield conditions. This would be impossible without a domestic industry. These capabilities, once lost either through under-investment or overseas procurement, are almost impossibly expensive to regain. There are also currently over 4,000 UK defence industry personnel in Afghanistan supporting the armed forces.
- The National Audit Office (at <http://tinyurl.com/naodefence>) confirmed that 75 per cent of UK defence major projects are delivered on time and on budget.
- According to the Government's 2009 Value Added Scoreboard (at <http://tinyurl.com/2009govtvas>) the aerospace and defence sector added £12bn in value to the economy and the average value-add per employee in the industry was £61,200, this compares well with automotive at £54,800, construction at £50,800 and electronics at £41,900.
- Defence delivers a number of spin-offs into our everyday lives from mobile phones and the internet to microwave ovens, Hawk-Eye at the cricket and tennis and satellites to broadcast them to our homes, plus flat screen televisions on which to watch them.

According to data from the Treasury (see below) spending changes in real terms by department, including defence are represented below.

Spending by department 1987-8 to 2007-8 (87-8 = 100)



Source: HM Treasury - [http://www.hm-treasury.gov.uk/d/5\(5\).pdf](http://www.hm-treasury.gov.uk/d/5(5).pdf)

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