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You will all be aware that the Tories have been trumpeting their intention to spend 2% of GDP on defence. However, as we’ve heard, there is a lot of smoke and mirrors in that figure. Firstly, you have to take out the costs of the Armed Forces and the civil servants at the MoD, which reduces it considerably. Then of course, there are the costs of buildings and facilities to take into account. Once you have stripped out all these things, you get down to the real figures for defence procurement - the money the MoD has to spend on the equipment that you build and maintain.

It is this pot of money that is the life blood for the defence industry and for as long as I can remember it has been a political football in a way that I do not believe would happen anywhere else in the world.

Just think about some of the things that are said about defence in the UK:

“It’s the most open defence market in the world” - a proud boast of consecutive Tory Defence Ministers. What they mean is: we’re more open to buying foreign defence equipment than anyone else in the world.

Or how about “We will buy off the shelf as much as possible” - a statement laid out in the 2010 SDSR under a Tory Defence Minister. What that means is: we will buy American whenever we can.

Just to demonstrate that point, I have a slide here, showing the spend with the “Top 5” US companies.

This shows that the growth over the past six years in US company UK turnover has been 55% across the period, but 77% from peak to trough. The annual average over these years has been £1.475billion - about 10-14% of the total equipment spend for this period.
And here you can see UK spend with the “US Government” in government to government deals - but that's still money going offshore to the USA. If you add this to the previous figures, that is an average spend of 12-15% of the Equipment Budget over the last six years.

Finally, here’s a graph showing overall defence spending for the UK and the black is the money spent with the USA. As Francis Tusa said, that is going up from around 12% today to over 20%, possibly as high as 25% by 2020. There’s a simple question here - what do we get back for that money?

Now, let me say, this isn’t an anti-American diatribe. I understand they are a key ally and there are some technologies they have that we don’t. But let me ask this to those of you that work on ITAR sites - is it as easy for British firms to win American work as it is for American firms to win British work?

No, of course not. And that’s because the Americans protect and defend their industry. In fact, the so called “free market economy” of the USA is one of the most protective and closed markets in the world - because they stand up for their industry and see the value in protecting jobs. Something we could learn from there, I think.

So let me lay out a vision for us, for Labour and for the country. We’ve heard clear evidence that spending money on defence equipment in the UK doesn’t just buy world class kit for the Armed Forces. It does two other jobs. Firstly, it protects sovereign capability. That is vital if the UK is serious about its role in the world as part of the EU, NATO and the United Nations. We need to be able to act independently to protect our interests across the world. If we can’t operate our equipment without the permission and support of another nation, then we are not independent. Build it here and we can use it as we see fit. Buy from abroad and you can’t - simple.

Secondly, and perhaps more importantly for us and our members, if you build equipment here, you pay wages to workers here. You also support a supply chain here in the UK, and their workers benefit too. And for every pound spent, money is returned to the government through tax, national insurance, corporation tax, business rates and so on. RUSI have calculated that for every pound spent, up to 35% comes back to the government. That means buying equipment built here is already 35% cheaper.
And, of course, workers in defence spend money in shops, pubs, restaurants. They buy cars and houses, send their kids to university or through apprenticeships. There is a huge multiplier effect that rolls out from spending money here.

So why do the government seem intent on handing all that benefit to people in America and elsewhere? It beats me, but one thing I can tell you is that with your help I believe we can change it.

I believe that the time is right to argue for a new Defence Industrial Strategy for the UK. We need to identify our sovereign capabilities and then take action to protect and grow them. That means buying British built equipment wherever possible.

I will go further - if we have to buy from abroad, we should do what every other nation on earth does - we should demand workshare. We’re going to be spending a hell of a lot of money with American firms over the next few years - what are we getting back in return?

That Defence Industrial Strategy could be the foundation stone for a broader UK Manufacturing Strategy - one where the government actually defends key industries like steel, energy, rail, and so on, instead of what we’ve seen in all those industries recently - too little done far too late.

There is no doubt in my mind that this industry is facing a crossroads moment. We can see the signs all over the industry. Whether it’s Successor being the political hot potato; or Type 26 orders being scaled back; or Nimrods scrapped only to be replaced five years later by American P8’s. The run down of Typhoon production and the insistence that unmanned vehicles are the future. We heard something similar when TSR 2 was scrapped - the future then was ballistic missiles.

Len and I were at Warton this morning and we got a chance to see the Typhoon final assembly hangar. Long lead supply chain items are already being ended and you can see the ability to build Typhoon slipping away in front of us. Where is the strategy to defend and nurture our capability to design, build and operate manned aircraft? And for anyone who thinks I’m talking pie in the sky when I talk about future aircraft, take a look at these
pictures. Those are artist’s impressions of the next generation of manned fighter aircraft being built by the USA and Russia. If they can see a future for the industry, why can’t we?

We need to use today’s conference as the springboard to mount a vocal campaign for the UK defence industry. If we don’t act now, we can see tens of thousands more jobs slipping away in front of our eyes. The graphs don’t lie.

So colleagues, like I said, today is an important conference. Let’s use this as a platform - not just for the Labour Defence Review, important though that is. Let us use this as the start of a campaign to change the way this country thinks about defence. We need government, whoever is in power, to defend our sovereign capabilities, defend our manufacturing base, defend our jobs and communities, and to defend our spend.

Thank you, colleagues.