

Speech: Promoting Our Prosperity

I'm delighted to join you today for the final session.

Over the last two days you've been discussing a security landscape that is becoming increasingly unpredictable and uncertain.

Recently the independent reviewer of terrorism law (Max Hill QC) said the danger of attack is as great as at any time since the 1970s.

Yet we don't just face problems from the asymmetric threat of Islamist extremism but also from Russian aggression and cyber warfare.

At the same time, we're preparing to implement the decision of the British people to leave the European Union; stepping back from the EU while stepping up our commitment to international security.

IMPLICATIONS FOR UK DEFENCE

What do all these events mean for UK defence policy?

The short answer is that, despite big changes, the important things are staying the same.

Our three National security objectives listed in 2015's Strategic Defence and Security Review – to protect our people, project our influence, and promote our prosperity – remain right for today.

We're one of only five NATO nations meeting the 2 per cent target and we'll continue investing in defence equipment: using our growing budget and £178bn 10-year equipment plan to spend on world class capability such as Dreadnought submarines and carriers, frigates and F-35.

Above all, we're determined to become, what our Prime Minister calls, a "global Britain", working with our NATO allies to front up to aggression from a position of strength, while joining forces with our bi-lateral friends to bring a tapestry of capability to bear on international problems.

RELEVANCE FOR DEFENCE INDUSTRY

But what does all this mean for the Defence industry?

Rest assured, we're more aware of your value than ever.

And nowadays we're not just looking for you to devise new game changing technologies, making the most of autonomy, cyber and big data, to keep one step ahead of our competitors.

Nor are we simply expecting you to focus on value for money as the demands on our budget rise.

We're also turning to you to enhance the UK's prosperity.

Our SDSR was the first time we officially recognised promoting prosperity as a national security task.

Now that strategic exports are a core activity for MOD, we need your help increasing defence sales and inward investment.

It's a lot to expect but the good news is we're here to help.

That doesn't mean we're going to retreat into a protectionist shell.

We don't believe in propping up inefficient industries

Instead, we believe in the power of free markets to push our companies further.

So we're going out of our way to create a can-do, pro-growth culture.

In three ways:

1. INNOVATION

First, we're investing in innovation.

This is an area where Britain traditionally has had strength in depth.

We gave the world radar, the jump jet and the world wide web.

Today we're leading the way in wing design and intelligent systems.

Tomorrow we will have produced dragonfly drones and sub-orbital engines.

But we can't rely on natural talent and serendipity to see us through.

So six months ago, we launched our innovation initiative.

It's all about pushing the boundaries, making defence more open to risk and new ideas.

Consequently, we're speeding up the time it takes for suppliers to turn concepts into capabilities.

We've set up an Innovation Fund worth around £800m over 10 years to pump prime investment into advanced new solutions, such as laser directed energy weapons and unmanned rotary wing technologies.

And we're running a set of competitions to develop leading edge capabilities in everything from rapid and automated integration of new sensors to machine learning algorithms.

Last week we unveiled the next stage in our plan.

Professor Hugh Durrant-Whyte has become our new Chief Scientific Adviser, with direct accountability for the defence research programme...which is 1.2%

of Defence's annual budget.

He'll be working across defence and internationally to stimulate defence innovation, commission research, and use technology to keep our people safe.

At the same time, we've been gearing up our new Defence Innovation Advisory Panel, with high-profile appointees including astronaut Major Tim Peake; outgoing director of GCHQ, Robert Hannigan; and the founder and chairman of McLaren, Ron Dennis.

These inspiring individuals will challenge the Defence status quo...ensuring we become innovative by instinct.

2. INDUSTRIAL STRATEGY

There's a second way in which we're creating a pro-growth culture.

We're tapping into the broader currents of Whitehall's industrial strategy by strengthening clusters of defence capability around the country, in Scotland, the South West, the North West and North Wales.

We're determined to make this a country that works for everyone.

Sir John Parker's recent report suggested how we could use such centres of expertise to improve our shipbuilding capability: embracing digital engineering and proposing the creation of a Virtual Shipbuilding industry model.

In other words, rather than a single shipyard building a ship from scratch, a vessel would be built in blocks by different sites across the UK as we've done with carrier, ensuring high productivity, competitive cost and a dramatic reduction in build time.

Sir John's report will inform our shipbuilding strategy due out in the Spring.

But switch domains from sea to air and you can already see what stronger clusters will mean for the UK.

Over in North Wales, Government and business joined forces and last year won the F-35 Maintenance, Repair and Overhaul contract award.

Their bid was so compelling it established Britain as a hub for all European F-35s: sustaining, in turn, potentially thousands more high value jobs across the supply chain, generating hundreds of millions – and potentially several billions of pounds of revenue – supporting hundreds of jobs in Wales and extending Britain's reputation for excellence worldwide.

I'd like to thank all those who helped make it possible.

It was a truly team UK effort.

3. PARTNERSHIPS

But this brings me to my final point.

Creating a pro-growth culture, means strengthening partnerships between Government and industry.

So we'll be looking to you to collaborate more – sharing the risk and reward of research and development.

We want you to build exportability in as standard from the outset, placing even greater emphasis on the use of modularity and open systems.

And we'll be looking for you to follow Boeing's example and increase bid opportunities for UK suppliers – large and small.

Significantly, Boeing recently announced their first European manufacturing facility will be in Sheffield.

You help us and we'll help you.

That's why we're making sure our refreshed industrial strategy will continue supporting the growth and competitiveness of UK companies.

It's why we're reaching out to imaginative industries outside defence...to import new ideas and ways of working. This time last week I was in Farringdon, chairing the Small Business Forum at a digital start-up company.

It's why we're working day and night alongside our colleagues in the Departments for Exiting the EU and Business, Energy and Industrial Strategy to address issues that affect industry after we leave the EU; whether it's Defence exemptions from EU regulations on movement of goods or access to skills and experience.

And it's why we will continue to tirelessly bang the drum for British business at home and abroad through export support; our expanded Defence attaché network; and speeches like this.

CONCLUSION

So despite mounting pressures, exciting new possibilities are opening up.

And by working together to build a winning mentality and develop a pro-growth culture we will do more than enhance our capability, more than increase our prosperity, more than inspire a new generation of innovators.

Together we will emulate the effect of that famous F-35 contract in Wales and send the strongest of signals to the world that our great defence industry and our great global nation are very much open for business.