



## Unite's response to the 'Defence Industrial Strategy – Statement of Intent' policy paper

February 2025

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**This response is submitted by Unite the Union, Britain, and Ireland's largest trade union with over 1.3 million members across all sectors of the economy.**

**Unite represents the concerns of tens of thousands of members working in the UK's world leading defence sector (which in 2023 added £12bn to our economy, £9.5bn in exports and employed around 164,000<sup>1</sup>, with around 7,000 apprentices), in primes, their supply chain and in government defence. These defence organisations employ highly skilled workers and are a major source of apprenticeships / graduate training schemes.**

### **1 Introductory comments**

- 1.1 Unite welcomes this Statement of Intent (SOI) as an opportunity to provide evidence, and like the new government see that defence, its ongoing modernisation and the industrial base that supplies it, are integral to the physical and economic security / growth of Britain.
- 1.2 Similarly, Unite supports the explicit aim to give industry partners the long-term demand signal and confidence to invest in UK defence, ensuring our highly skilled membership continue to play an integral role in both the manufacture and maintenance of defence equipment such as our submarine fleet, their missile tubes and Spearfish torpedoes.
- 1.3 The MOD's replacement of the Defence Suppliers Forum (DSF) with a new Defence Industrial Joint Council (DIJC), that will continue to involve the largest defence companies, bringing in wider participation from the tech sector, SMEs, universities, further education, and the relevant trade unions, is something Unite supports fully,
- 1.4 Unite also strongly supports the strategic aim of the Government to make sure the imperatives of national security and a high-growth economy are aligned, ensuring its objective to drive growth, support Net Zero, regional growth, and economic security / resilience are met.
- 1.5 These key themes, their crossover into the government's broader industrial strategy objectives around growth, investment, good, unionised jobs, skills, high value advanced

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<sup>1</sup> <https://www.adsgroup.org.uk/about/sectors/defence/>

manufacturing (supply chain and industrial capability) and regional development, are all goals strongly supported by Unite the union in addressing the six structural priorities of this Defence Industrial Strategy (DIS).

## The Six Priorities

### **2 Prioritise UK Businesses.**

- 2.1 This strategy should be part of the foundation stone for a broader UK Manufacturing Strategy – one where the government defends key industries like steel, energy, rail, and so on, instead of what we've seen in all those industries lately – too little done far too late. Unite believes that government procurement should be used as an instrument of public policy helping to defend UK jobs and promote growth in our economy. MoD procurement contracts must consider the wider economic and social value impacts as part of their considerations.
- 2.2 Regards prioritising UK businesses, Unite's biggest issue with past governments has been that of cost cutting, where lower priced foreign bidders were prioritised over local benefits, sovereign defence industrial capability and resilience, was the priority of the government of the day when awarding contracts. This simple, short-termist, single leg stool approach, failed to consider the social and wider economic benefits, including multiplier effects, regional growth opportunities and taxes returned to the treasury, obtained by procuring within the UK. Such a simplistic approach to defence procurement must be abandoned in favour of one which, whilst maintaining competition, also gives much weighting to UK content and the wider benefits it provides. In doing so, given the current state of trade with the USA, it should be noted that, the American Bureau of Economic Analysis estimates the US had a surplus in trade with the UK in 2023 of around £12bn. Furthering the argument to purchase say fighter planes in the UK rather than say purchasing F35's from the US.<sup>2</sup>
- 2.3 Additionally, it is of vital importance to the big tier 1 companies that government continues to invest in UK R&D and innovation as a way of attracting / leveraging inward investment, whilst ensuring relevant intellectual property rights remain in the UK. These rights can then transfer into products for the export market and civil applications. Maintaining strong links with the Defence Science and Technology Laboratory (DSTL) will encourage growth through apprenticeships in AI and Cyber. This should help to ensure the UK taxpayer substantially recoups the original investment outlaid.

### **3 Create Partnerships.**

- 3.1 The ability for the UK to design, develop and exploit its defence capabilities remains vital – rapid integration of new capabilities outside of external influence and control remains fundamental to freedom of action and modification. Underpinned by deeper diplomatic relations with key allies.
- 3.2 Unite believes the key to delivering technology programmes, such as the Global Combat Air Programme or GCAP (supporting 46,000 highly skilled UK jobs, with its four prime

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<sup>2</sup> <https://www.bbc.co.uk/news/articles/ckgy1lerlpko>

sovereign company partners; BAE Systems, Rolls-Royce, Leonardo and MBDA employing more than 21,000 of these Combat Air roles, half of which are based in the North West of England), is for Government to maintain relationships with technology providers and industry, along with a constant drumbeat of funding / work, ensuring infrastructure, skills and expertise are maintained / enhanced. This allows industry to provide continuity in our ability to design, build, and maintain capabilities, and to ensure our industry remains vibrant, sustaining UK jobs and creating and building international relations and influence.

- 3.3 The National Value Framework (NVF) in the UK's 2018 Combat Air Strategy, which by the way Unite sees as still being relevant, needs to be fully implemented, as it's vital because it aims to maximise the overall national value the UK derives from the sector: balancing military capability, international influence, economic and prosperity benefits. In doing this it compels the MoD to consider jobs, revenue, exports, etc when making decisions. The publication of this strategy / framework was relatively easy for government to do, however, it's much more challenging to actually enact it, as we've seen around the F35 discussions and all the other kit we've bought from the US. The solution proposed by GCAP is the one, in our view, that will maximise UK benefit across all four elements of the NVF whilst delivering the sovereign control required. In terms of partnerships, it's important to remember that on the back of 2018, the four companies involved invested £800m in developing new technologies for the UK – it will be difficult to do that again if industry doesn't have confidence that strategies will have longevity.
- 3.4 The UK's industrial capability allows the UK to enter international partnerships with allies as an equal; witness how many nations approached the UK after the announcement of Tempest. We also want to see a closer partnership between industry and government to allow the UK to prosper in areas of strength such as Combat Air, Shipbuilding and Radar platforms. A new commercial model providing long term certainty to industry will allow the UK to fully utilise its industrial ecosystem from the smallest SME to the large prime contractor. This will encourage further industrial investment such as AUKUS, and BAE Systems acquisition of Malloy Aeronautics earlier last year.<sup>3</sup>
- 3.5 The current UK footprint is responsible for globally recognised products and capabilities and presents a link with a proud heritage of manufacturing across the country. Iconic aircraft, ships, submarines and weapons have been produced by the UK across the decades and the country is still producing world class equipment. Equipment built and being built by our members, such as the Type 31 Frigate, being built at Babcock's state-of-the-art facility in Rosyth, the Type 26 Frigate, being built on the Clyde at BAE Systems' Govan shipyard, the Queen Elizabeth class Carriers, Astute and soon Dreadnought submarines, Typhoon and Tempest fighters and Wildcat helicopters. Radar, sensors and land-based weapons systems are also produced here in the UK and the industry generates billions of pounds in tax and national insurance payments as well as billions in exports.

#### **4 Certainty and Stability.**

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<sup>3</sup> <https://www.baesystems.com/en-uk/bae-systems-acquires-british-technology-business-malloy-aeronautics>

- 4.1 The ultimate driver of certainty and stability within the UK defence sector can only be provided by long term government commitments as the nature of this industry, with a very limited customer base and long development cycles, requires constancy in demand, essential to initiate resources to the development of new capability. If the sector is convinced that it will have this solid customer base, committed to through life upgrades, it is likely to make investment towards future requirements.
- 4.2 Unite therefore call on the Government to make a clear and unequivocal funding commitment to the likes of GCAP and remove other options on the table for this requirement. Our international allies in Japan and Italy have already done this through the treaty signed last year yet the UK continues to keep its options open, creating uncertainty in the partnership. This prevarication is unnecessary and could threaten the rapid progress already made in GCAP work. The prospect of further F35 purchases would create further such uncertainty, in addition to that touched on above in terms of potentially widening the US surplus in trade with the UK.
- 4.3 As outlined in 3.4 above, a new commercial model, where signoff to long term projects such as GCAP, would provide long term certainty to industry, allowing the UK to fully incentivise long-term investment alongside public money and exploit its industrial ecosystem from the smallest SME to the large prime contractor.
- 4.4 The UK's commitment to the delivery of the AUKUS with the US and Australia is a fantastic example of how UK Defence can build on existing relationships with allies and partners to bolster certainty. In March 2023 Unite welcomed the announcement of the future SSNR-AUKUS submarines, which will be built in the UK at Barrow and Adelaide, using US technology with nuclear engines from Rolls Royce in Derby, safeguarding thousands of skilled well-paid jobs at Rolls Royce and BAE Systems, our members jobs.

## **5 Seize the Future.**

- 5.1 The government must seize and see now as a golden opportunity to invest in the future, building on a profitable sovereign defence industry, whether that be in thousands of new highly skilled defence sector apprentices or in the technology transfer of Rolls Royce small modular reactors into civilian use to meet the challenges of net zero and our energy security.<sup>4</sup>
- 5.2 UK defence primes generally do very well at delivering workplace skills and apprenticeships, skilled labour for the future, however, Unite would like to see a pooling of resources. We'd like to see the development and extension of the 'pooling of resources' model to apprentices, so that companies in the defence industry's supply chain can benefit from the economies of scale in relation to training. This may include partnering with primes such as BAE Systems, and their Academies of Skills and Knowledge at; Barrow (submarines), North Lincolnshire (aircraft maintenance), Samlesbury (aircraft production) and Scotstoun (shipbuilding).
- 5.3 Since the UK MOD stated its intentions to replace the current Puma Medium Helicopter

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<sup>4</sup> <https://www.unitetheunion.org/news-events/news/2023/march/unite-welcomes-submarine-announcement-which-will-safeguard-thousands-of-jobs-at-rolls-royce-and-bae-systems>

fleet in the UK Government's 2021 Defence and Security Industrial Strategy, Leonardo says it has been standing ready to deliver this vital sovereign New Medium Helicopter capability with its AW149 military helicopter. An essential element of this readiness is said to come in the form of the work undertaken in the Structural Test Laboratory in Yeovil.<sup>5</sup> Unite sees this contract being vital to the future of Leonardo's Yeovil site and local economy, with the UK MOD planning to award the prime contract for its 1-billion-pound New Medium Helicopter program later this year.<sup>6</sup>

- 5.4 In terms of seizing the future for Airbus's Bristol site, it's essential that the lack of UK and European government orders for the A400M transport aircraft is addressed, and addressed soon, as without such orders there is potential for substantial impact on the Bristol site.
- 5.5 Investigating ways of streamlining the regulation and certification process is also something that should prove effective in increasing the pace / shortening the development cycle, without jeopardising safety, as is already happening in the development of FCAS.
- 5.6 Companies such as Thales, claim to be *global leaders in advanced technologies, investing in digital and "deep tech" innovations – connectivity, big data, artificial intelligence, cybersecurity and quantum technologies – to make the world safer, greener and more inclusive*. Also claiming to *provide customers – businesses, organisations and governments – in the defence, aeronautics, space and digital identity and security fields, with solutions, services and products that help them fulfil their critical role*.<sup>7</sup> Government should work closely with such companies to ensure that new, clean and emerging technological opportunities are optimised within both the defence and civil sectors.

## **6 Spread Prosperity.**

- 6.1 The design and manufacture of complex weapon systems here in the UK contributes greatly to our prosperity, securing jobs for our members, returning taxes to the treasury and providing the potential for exports of goods and services. All further adding to the UK's prosperity and its capability to fulfil UK Defences many ongoing global roles.
- 6.2 Social value is a vital consideration when making defence procurement decisions. Such decisions must be made, not only on value for money, but based on boosting / growing regional economies and communities via the provision of quality high value jobs in the regions in which defence companies and their supply chains operate. Often being situated outside of the southeast and in areas that have suffered from a lack of strategic investment in R&D, skills and infrastructure over time.
- 6.3 Whilst a level of competition is important in the procurement process, delivering to cost and capability objectives are also vital. Thus, a balance must be struck by the Single Source Regulations Office (SSRO) to guarantee that good value for money is obtained in government expenditure on qualifying defence contracts, and that contractors are paid

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<sup>5</sup> <https://uk.leonardo.com/en/news-and-stories-detail/-/detail/leonardo-in-yeovil-149-ready>

<sup>6</sup> <https://thedefensepost.com/2025/02/11/uk-new-medium-helicopter/>

<sup>7</sup> [https://www.thalesgroup.com/sites/default/files/database/document/2022-06/Thales\\_IntegratedReport.pdf](https://www.thalesgroup.com/sites/default/files/database/document/2022-06/Thales_IntegratedReport.pdf)

a fair and reasonable price under those contracts. If we are to ensure the ongoing spread of prosperity, this process must also ensure that it not only does what it says on the tin but also incentivises investment in innovation.

## **7 Deterrence.**

- 7.1 The UK military, with its nuclear capability provides a strong deterrent, as does our own significant defence industrial base, as adversaries comprehend our ability to respond and withstand a potential attack. It goes without saying then that both must be maintained if we are to preserve our level of deterrence.
- 7.2 Rapidly changing threats, as seen by the outbreak of the global coronavirus pandemic and Russia's invasion of Ukraine (resulting in the longest cost of living crisis in history) and now the current Middle East and Taiwan / South China Sea crises, demonstrate how rapidly things can escalate and change.
- 7.3 These rapid changes mean that UK Defence must be agile, efficient and prudent, having the ability to face such strategic and changing threats at short notice. The defence manufacturing sector must also have similar agility, ensuring that it's not only able to rapidly adapt to, and meet such threats, but also able to offer entrepreneurial / creative solutions. Solutions, provided via our defence products and services, that act as a deterrent to our adversaries. Ones which ensure our sovereignty, prosperity and modernisation agendas are met, whilst being leveraged through exports to our allies (thus multiplying deterrence) and or via the identification of civil applications for which the intellectual property must be retained in the UK.
- 7.4 In terms of deterrence, the importance of the UK MOD's next secure military communications satellite, the SKYNET 6A programme, which is currently being built for the UK military for the defence and security of our nation, cannot be overstated. However, Unite sees the need for a UK government commitment to the next generation Skynet Wideband Satellite System (WSS), instead of buying from the US, as essential to maintaining the UK's sovereign capability and highly skilled jobs here.

## **Additional Input from Unite's Government Defence & Contractors Sector**

## **8 Building Resilience: Contractors & the Ministry of Defence.**

- 8.1 In addition to membership throughout defence manufacturing, Unite is also the trade union for Ministry of Defence (MoD) workers and contracted workers, including civil service, logistics, facilities and maintenance roles.
- 8.2 These members also welcome the Defence Industrial Strategy review as an opportunity to provide evidence and experience. Unite values the 'create partnerships' theme of the strategy and the MoD's approach to developing the relationship with Unite the Union. As an integral UK defence industry stakeholder, Unite is committed to work collaboratively on an ongoing basis and takes a long-term view regarding Defence Industrial Strategy.

## 9 Ministry of Defence: Public Sector Civil Servants.

- 9.1 Unite is aware that the issues of pay and conditions are not directly within the remit of the Defence Industrial Strategy. It is however important that Unite put on the record, and the government acknowledge, that the overarching, high level principles of the strategy will be difficult to achieve when trying to build on foundations of a civilian workforce on National Minimum Wage pay poverty.
- 9.2 Unite civil service members in the public sector have suffered over a decade of public sector pay freezes under both the Coalition and Tory governments. This has led to the civil service becoming a National Minimum Wage employer. Worse than this important differentials between grades (for example where our members have sat promotion and progression boards or gained additional qualifications to achieve an uplift in pay) have been eroded<sup>8</sup> by pay freezes and minimum wage uplifts. Therefore, several different jobs roles of varying skills and qualifications, including labourers, storekeepers, craftworkers, drivers and supervisors, are all paid the same wage. To reiterate this is the minimum wage legally possible. This is unsustainable.
- 9.3 In a volatile, unpredictable world, UK Defence Security must be robust and well-funded to ensure Ministry of Defence sites, assets and our members in the workplace are safe and secure. This is currently not the case and must be prioritised and restored. The Ministry of Defence Guard Service (MGS) has massively suffered under Tory Government pay freezes and a long-term lack of investment. Unite members in MGS, providing security and resilience on Ministry of Defence sites and facilities of strategic importance, including Faslane Nuclear Submarine base and Coulport depot where Trident missiles and Nuclear warheads are stored, are now National Minimum Wage employees and forced to work longer hours for less reward with the introduction of the '2020 Operational MGS Employment Contract' (OMEC) Contract of employment. This contract must be reviewed and rescinded with immediate effect.
- 9.4 Unite's national sector committee for government departments (including MoD) includes Unite reps from Members Civil Service Unions (MCSU). This bodies key priorities MoD civil servants are:
- To recover the deficit from the years of public sector pay attacks and to recover monies lost to in relation to the cost of living and inflation.
  - To move civil service workers away from the minimum wage and for affiliation to the real living wage as a minimum.

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<sup>8</sup> Prior to the pay freeze, the collectively bargaining wage structure had included increases of between 7.5% and 10% between grades.

- To establish pay comparators with job roles of equal skills and responsibilities in the private sector.
- To re-establish the differentials between the Industrial and Non-Industrial grades to 7.5% or 10% retrospectively and a commitment these differentials will not be reduced and devalued in future negotiations.
- To ensure Civil Service members are not second-class workers to private sector comparators regarding earnings.

## 10 Defence: Developing resilience.

- 10.1 Developing the “resilience” strategy for the defence supply chain, including logistics, engineering, repair and infrastructure servicing, is one of the most important challenges of this defence review. Unite understands the global situation to be fragile but is concerned that the UK military’s ability to respond is equally fragile.
- 10.2 UK industry’s ability to support our Armed Forces both in transition to and during conflict is fundamental to both deterrence and warfighting. This cannot be achieved by anyone else – it will be the UK Defence industry, MoD and their respective workforces (in both the private and public sectors), that form the backbone of any defence of both the UK, and UK’s contribution to NATO. Resilience is particularly important for non-kinetic services, including supply chain logistics, engineering, repair, infrastructure and facilities. Resilience is also embodied in the ability to respond to a sudden change in threat. The ability to support front line forces and to deliver resources is now dangerously fragile, as demonstrated during the Ukraine war, and must be urgently reviewed.
- 10.3 Unite notes the new Labour government’s commitment to the “biggest wave of insourcing of public services in a generation<sup>9</sup>.” This has been welcomed by Unites membership in the broader public services; however, in defence Unite believes this must be handled carefully. Unite is concerned about the contradiction between wholesale insourcing of Ministry of Defence functions and the government’s apparent commitment to continued austerity.
- 10.4 Unite the Union and our members can offer many positive and negative experiences of defence outsourcing. **To be clear, neither outsourcing nor insourcing should be ideological positions. Unites experience shows that how MoD and defence functions are managed and the impact on both the workforce and frontline personnel must be the priority, not an arbitrary policy, timeline or blanket commitment.**

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<sup>9</sup> [https://assets.publishing.service.gov.uk/media/6647164cbd01f5ed32793d94/Opposition\\_policy\\_costing\\_Insourcing\\_FINAL.pdf](https://assets.publishing.service.gov.uk/media/6647164cbd01f5ed32793d94/Opposition_policy_costing_Insourcing_FINAL.pdf)

- 10.5 The outsourcing of critical Ministry of Defence functions has been a major concern for Unite since 2015 when a major military logistics contract was awarded to Team Leidos (Leidos Europe, Leidos Supply, Kuehne + Nagel and TVS Supply Chain Solutions)<sup>10</sup>. This significant 13-year contract to operate Logistics Commodities and Services and Transformation (LCST), was worth £6.7 billion and included designing, building and operating the £83 million Defence Fulfilment Centre in Donnington.
- 10.6 Positively, unite successfully oversaw the TUPE (Transfer of Undertakings Protection of Employment rights) for these workers, protecting pay, pension, leave entitlements and working conditions.
- 10.7 Following the issues faced by these logistics' workers during the Ukraine war, the pivot by MoD towards resilience has been beneficial to the MoD supply chain, and this contract in particular. Our members at LCST report a welcome shift towards resilience targets, which not only ensure the operational effectiveness of the supply chain but improves employment conditions, which demonstrates a clear social value.

## **11 Dangers of short term and salami slicing contracts.**

- 11.1 One constructive conclusion from this experience is the difference between long-term contracts with reputable employers, compared to short-term contracts which employers are incentivised to win on the basis of cost cutting the current contractor provider.
- 11.2 Contracts such as LCST (Logistics Commodities & Services Transformation) are 10 to 25 years in length. This allows for a negotiated transition for the workforce and time for the relationship (including industrial relations) to develop positively to meet shared goals such as resilience. In contrast, facilities contracts for services such as cleaning and catering can be two to three years in length, leading to repeated transfers and encouraging a "race to the bottom" as employers routinely attempt to undercut each other. This has an obvious impact on frontline armed forces.

## **12 Unite proposal: contractor accreditation.**

- 12.1 Unite is calling for an urgent review of MoD and defence tendering which considers quality of employment, operational resilience and social value. Unites national industrial sector committee, representing senior workplace representatives across the MoD and defence contractors is proposing a new accreditation scheme for MoD tendering.
- 12.2 Factors such as union recognition, suppression of pay, terms conditions, and commitments to the retention and development of skills must be criteria alongside proven ability to deliver operational resilience.

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<sup>10</sup> <https://www.leidos.com/company/global/uk-europe/LCST>

- 12.3 Unite believes a scheme similar to ISO accreditation will encourage a “race to the top” in effectiveness, quality of service, employment and resilience.
- 12.4 Unite believes such a review and accreditation scheme must also consider the track record of “bad employers” with a proven inability to deliver vital MoD functions. For example, in 2019 Capita was awarded a £600 million contract to run the Ministry of Defence’s fire and rescue service pension fund, then renamed the Defence Fire and Rescue Project (DFRP) this required Capita to provide pay data to MyCSP to calculate members pension funds.

### **13 Concluding comments:**

- 13.1 The strategic assumptions of this government’s defence industrial strategy all rely on government to support the UK’s domestic defence manufacturing base and its workforce, in defence infrastructure, logistics and its supply chains.
- 13.2 This SOI must see our armed forces placed in the best possible position to react quickly to circumstances we cannot yet anticipate. The surest way to achieve this is with a stable, long-term strategy to ensure the industry and national infrastructure which allows the armed forces to operate is in the best possible shape. That means ending attempts to run an arms-length defence industrial strategy on the cheap through ‘off the shelf’ procurement from other nations, constantly changing outsourced contracts awarded based on the cheapest bid, and in turn the erosion of the pay and condition of our membership within the UK’s defence manufacturing sector and the communities in which they live.
- 13.3 Public value for money must be considered in terms of contribution to the physical and economic security of the country. As this submission has outlined, that means a renewed commitment to the highly skilled workforces across our domestic defence sector. It must also mean attention returning to the infrastructure, logistics supply chain and civil service which underpins the armed force’s ability to act.
- 13.4 From procurement, which ensures the stability of our defence manufacturing base whilst also considering social value, to supporting the invaluable contribution of Unite members to the defence of our nations, is essential if this SOI is to achieve its aims of security and strong economic growth. Taken together, Unite’s primary call is to recognise the urgent need for a coordinated defence strategy, taking onboard the ideas put forward here, which contribute to a larger long term industrial strategy.

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