



## BAE Systems and the Levelling-flat Agenda

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*In February, the UK Government unveiled its flagship Levelling Up [plan](#) to improve opportunities across the country. The UK arms manufacturer BAE Systems [claims](#) to be at the forefront of this agenda. Steven Schofield argues that both are highly dubious propositions.*

BAE Systems is one of the world's largest arms corporations with a specialism in weapons of mass destruction. But you would hardly know that if you relied on the propaganda churned out by its corporate and public-relations machine. Rather, it is the UK's flagship company, "a world leader in engineering, innovation, manufacturing and technology". Just don't mention the word armaments.

Recently, the machine has gone into overdrive, extolling the company's response to Covid-19 and to the levelling-up agenda.<sup>1</sup> During the early stages of the pandemic, the media images of BAE and other arms corporations were hard to escape, mobilising what seemed to be their entire resources for the manufacture of ventilators as their contribution to the national emergency. The reality was different. No major arms-production sites were involved and a handful of technical staff with specialisms in oxygen supplies for fighter aircraft were seconded to companies already manufacturing or developing ventilators. The over-riding priority for BAE was to have those sites designated by the government as essential to national security and they were all reopened for arms production within weeks of lockdown.<sup>2</sup>

BAE's propaganda served the company's purpose, diverting attention from its real work: exporting armaments to some of the most oppressive regimes in the world. Perhaps the most despicable is the contract with Saudi Arabia for fighter aircraft used in the bombing campaign against opposition groups in Yemen. Thousands of civilians have been killed or injured, hospitals, schools and homes destroyed and the economy devastated. BAE staff are embedded in the Saudi military, providing technical support to the bombers and their state terrorism.<sup>3</sup>

The company's response is two-fold, that all arms exports are licensed through the UK government and that such contracts provide skilled employment, directly for tens of thousands of workers at its own manufacturing sites, and indirectly, through an extensive UK supplier network. The value of Ministry of Defence (MoD) procurement and arms exports is estimated at over £4 billion a year. Predictably, BAE has also jumped onto the levelling-up bandwagon, claiming that its apprenticeship schemes in some areas of relative deprivation are a significant contribution to tackling regional inequalities. As with one of its own high-explosive devices, these economic rationales need careful unpacking.<sup>4</sup>

BAE is, above all, a monopoly exercising monopoly power. Over the last fifty years, through a process of mergers and acquisitions, the company now controls most of the UK production of major weapons

systems, from nuclear submarines to surface vessels and fighter aircraft. As it consolidated power, it rationalised production capacity, closing down factories and significantly reducing overall employment in the surviving plants. From the peak years of employment in the 1980s, the BAE workforce has declined from an estimated 70,000 to 35,300 in 2021.<sup>5</sup> That decline includes its sites in areas of deprivation like the North West and Cumbria. Employment in Barrow-in-Furness on the first Trident submarine programme peaked at 15,000 during the early 1990s and is now around 6,000 for its replacement. Once the peak period of production ends, during the mid-to-late 2020s, there will be another substantial reduction. The company has also recently cut employment by nearly 2,000, mainly at its Lancashire sites manufacturing military aircraft.<sup>6</sup>

The levelling-up agenda is itself, a highly dubious proposition. A decade of austerity economics resulted in savage cuts to public expenditure, with the most deprived areas suffering disproportionately. Recent commitments by the government to fund infrastructure and construction programmes in those areas provides only a partial recompense and is couched in the language of competitive bidding that will leave more losers than winners.

Rather than beacons of hope, military-industrial sites are diminishing islands of manufacturing, standing cheek-by-jowl with some of the poorest communities in places like Barrow, Portsmouth, Glasgow and Preston, and which BAE's presence has done nothing to alleviate. Yet, the company wants us to celebrate an apprenticeship scheme. Any half-decent employer should provide training for its younger workforce, and it is a sad testament to the decline of the UK into a low-skills, low-pay economy that BAE expects to be eulogised as a social benefactor for doing what is obviously in its own best interests.

### ***Facing towards Washington and mired in corruption***

The long-term strategy has always been to maximize profits by having a global presence focused on the most lucrative markets for arms sales. Indeed, the change of name from British Aerospace to BAE Systems was, itself, an exercise in global branding. A key component of this strategy was to gain access to the vast United States' arms budget through a series of US acquisitions. Overall, the company has generated more turnover and profit in the last fifteen years from its US operations than from the UK.<sup>7</sup> BAE has also provided extensive offset agreements to secure arms deals, guaranteeing countries a domestic, industrial capacity for production and maintenance. UK-based facilities, such as the factory in Brough, East Yorkshire, that specialised in the production of Hawk fighter aircraft, were run down and capacity transferred to the Middle East.<sup>8</sup>

In contrast to the gleaming, corporate image, the company has been mired in scandals over corrupt arms sales and massive cost overruns and delays to major weapons programmes. Bribery of government officials is endemic in the arms trade and BAE was, by far, the most cynical operator. Senior management constructed a sophisticated, offshore slush-fund worth hundreds of millions of pounds, disguised from its public accounts and providing anonymity to those receiving bribes.<sup>9</sup>

The scale of the corruption led to public calls for criminal charges. But the, then, Prime Minister, Tony Blair, intervened to block an investigation by the Serious Fraud Office in 2006, on the spurious grounds of national security. The real agenda was the threat to continued arms sales to Saudi Arabia and the rest of the Middle East if the bribes were exposed. Yet, there was a strong legal case that could have led to fines against the company and possible criminal proceedings against senior managers.<sup>10</sup> In contrast, the US authorities carried out a similar, anti-

corruption investigation and BAE paid a \$400 million fine, one of the largest ever imposed on a company in the United States.<sup>11</sup>

BAE's major procurement programmes have faced regular criticism and outright condemnation. The Nimrod early-warning aircraft, intended to provide long-range, radar surveillance was beset by technical problems and incapable of achieving extended patrols because of excessive weight and limited fuel capacity. Despite reducing the overall order numbers by more than half, costs rose to £3.8 billion before the programme was scrapped in 2010.<sup>12</sup> More recently, the Astute-class, conventional nuclear submarine programme has faced a series of technical issues, leading to a six-year delay in the expected operational date and a doubling of costs to over £11 billion.<sup>13</sup>

The company is also acting as the UK subcontractor to the US arms corporation, Lockheed Martin, on the F-35 fighter aircraft, constructed for the US air-force and bought by the MoD in its short-take-off and vertical-landing role (STOVL) for the UK's new aircraft carriers. The US programme is chronically over budget, even by the standards of arms procurement, with a whole range of technical problems to both its operational capabilities and its upgrade and maintenance schedules.<sup>14</sup>

The F-35 is the ultimate, baroque weapons system, so complex that it is literally too expensive to fly and maintain except as an occasional status symbol of power projection. In the face of escalating costs, the MoD has taken the classic arms procurement option of cutting back on the order, from an estimated 125 aircraft to 48, although future purchases have not been ruled out. Yet, the final budget, factoring in production, upgrading and maintenance costs over the next decade could still be as high as £20 billion.<sup>15</sup>

### ***Alternative trajectories***

Trade unions, for many years, have supported conversion policies that transfer public funds from armaments production to civil manufacturing, with improved prospects for skilled work and a more equitable distribution of funding, compared to the MoD's budget that favours companies located in the relatively prosperous South East. Perhaps the most well-known is the Lucas Plan in the mid-1970s, developed by workers from the company's various sites around the UK. At a time of threatened redundancies because of some cutbacks to military orders, the Plan proposed a range of civil alternatives. These included medical equipment, public transport vehicles and environmental technologies that utilised the skills of the workers, as well as the existing, industrial capacity of the company.<sup>16</sup>

Similarly, in the late 1980s, a trade union group, the Barrow Alternative Employment Committee (BAEC), representing workers at the shipyard, put forward a plan with the focus on marine technologies, including offshore renewable energy through wind turbines and wave power machines. It also argued in the report 'Oceans of Work' for the establishment of a marine technology research centre in Barrow as a regional hub to attract other industries and to help diversify the local economy.<sup>17</sup>

These, and other trade union proposals for conversion were never seriously considered, either by managements wedded to arms production or governments that continued to prioritise arms spending. Yet there was clear evidence that conversion plans could have generated for more employment in the civil economy and contributed to a regional policy that benefited areas that had been hardest hit during the manufacturing recessions of the 1980s and the 1990s.

The opportunity costs of arms spending are significant. For example, if the UK had adopted offshore technologies in a sustained programme of public investment from the

1980s onwards, the country could now be self-sufficient in renewable energy and far less vulnerable to the massive increases in global, gas prices that have left working people in fuel poverty and having to make choices between putting food on the table or heating their homes. Production is still well below that capacity and is mainly located on the East coast of England through foreign-owned companies manufacturing wind turbines. The North West has a very limited presence, with Barrow-based companies providing only maintenance services on some nearby wind farms.

The dominance of the South East over government-funded research and development is, if anything, stronger today than it has ever been. All the major military research establishments are operated directly by the MoD through the Defence Science and Technical Laboratory (DSTL) at various sites around the South East, or through agencies such as the Atomic Weapons Establishment (AWE) based at Aldermaston, Berkshire. In 2021, the government announced an £800 million fund for a new research agency, the Advanced Research and Invention Agency (ARIA). Although the location of the Agency is still to be decided, the fact that it is fashioned on the United States' Defence Advanced Research Projects Agency (DARPA), indicates that it will be very much part of this military-research network.<sup>18</sup>

### ***Speaking truth to power***

Despite the best efforts of BAE's propaganda machine, we live in a society where people who care about peace and disarmament are prepared to speak truth to power and take action to expose the reality behind the mask. In 1996, members of the Trident Ploughshares Movement gained entry to one of BAE's factories in Lancashire, using various tools to disable a Hawk fighter aircraft that was being built as part of an arms deal for Indonesia. Facing charges of causing and

conspiring to cause criminal damage, with a maximum ten-year sentence, they put forward the defence of preventing genocide. The Indonesian government was waging war against the civilian population of East Timor in its struggle for independence, a genocide aided and abetted by BAE and the British government. The jury acquitted them of all charges.<sup>19</sup>

In 2018, a major festival, the Great Exhibition of the North, was organised in Newcastle, with a range of artists and community choirs. When it became known that BAE was to be one of the main sponsors of the event, they and other supporters organised a campaign highlighting the company's involvement in the arms trade and calling for its sponsorship to be withdrawn. The last thing the company wanted was the negative publicity being generated by the growing support for a boycott of the event and BAE hastily ended its sponsorship.<sup>20</sup>

The Campaign Against the Arms Trade (CAAT), in partnership with the Corner House, has sustained a long-running legal action against BAE, that the sale of fighter aircraft to Saudi Arabia was unlawful because of their use in Yemen. They achieved a major victory when the Court of Appeal, in 2019, ruled in their favour, barring the government from approving any new licences for Saudi Arabia exports.<sup>21</sup> However, existing contracts are unaffected, and BAE has continued deliveries based on what the government characterised as a backlog of licences.<sup>22</sup>

The moral and ethical case against BAE that has been made by these and many other campaigns is a strong one, but the economic case is equally powerful. Since the end of the Second World War public investment that could have supported civil manufacturing and research and development has been diverted into armaments. Perhaps, if the Labour government had honoured its manifesto commitment in the 1964 General Election to cancel Polaris, the first-generation, ballistic-missile submarine

programme, that might have led to a fundamental re-evaluation of security priorities and the UK's role in the world.

Instead, successive governments have pursued the post-imperial delusion of the UK as a global, military power with nuclear weapons and a blue-ocean carrier fleet. But the country is little more than a satellite of the only real, military superpower, the United States, that uses the UK as a convenient location for its air-force bases and its giant, electronic, spy stations, all nominally RAF bases, but owned, operated and controlled by the United States.<sup>23</sup>

Now, we face an existential threat from irreversible climate change. Yet, the world spends upwards of two trillion dollars a year on armaments, when those resources are desperately needed to make the transition to a post-carbon economy, a transition that will guarantee millions of skilled jobs, including those for workers redeployed from the fossil-fuel and arms industries.<sup>24</sup>

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## Notes

<sup>1</sup> Trevor Taylor, [BAE Systems in the UK Economy: Public Relations on a Strong Data Base](#), RUSI Commentary, 31 January 2022.

<sup>2</sup> Lancashire Telegraph, [BAE and Rolls Royce to make medical ventilators in coronavirus fight](#), 30 March 2020; and Lancashire News, [The coronavirus impact at BAE Systems and disruptions into 2021](#), 16 March 2020.

<sup>3</sup> Campaign Against the Arms Trade, [BAE Systems](#) CAAT, October 2021.

<sup>4</sup> Oxford Economics, [BAE Systems' Contribution to the UK Economy – An Independent Report by Oxford Economics](#) 2022. This 'independent' report provides the most up-to-date statistics on BAE's employment, turnover, etc.

<sup>5</sup> Accurate figures for BAE's total UK employment in the 1980s are not available and would have to factor in subsequent takeovers like GEC. But the statistics provided by the MoD show an overall decline in direct employment generated by MoD expenditure from 230,000 in 1980-81 to 125,000 in 2019. A figure of 70,000 for BAE employment is consistent with that decline.

Bryn Morgan, [Defence Employment 1994-95](#) House of

The UK state's priority remains the military-industrial complex. Even as the environmental crisis becomes critical, the government is committed to spending hundreds of billions of pounds on the next generation of fighter aircraft, nuclear submarines and surface vessels, all to serve the insatiable appetite of a corporate monster.

BAE is a giant vampire squid sprawled over the UK economy, sucking in public funding and industrial and technological resources, while spewing out its poisonous propaganda like so many carbon emissions. Any real, levelling-up agenda should start with the levelling flat of BAE Systems.

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Commons Research Paper 96/92, House of Commons Library, October 1996.

Finance and Economics Statistical Bulletin, [MoD regional expenditure with UK industry and commerce and supported employment 2019/2020](#) Official Statistics 2021.

<sup>6</sup> National Audit Office, [Ministry of Defence and Property Services Agency – Control and Management of the Trident Programme, 1987-88](#) HC Paper, No. 27, 1988. Total employment at the Barrow yard was 8,500 in 2020 but that figure included both the Astute and follow-on Trident programme, an overlap caused by delays with the Astute programme, see ref 13. The Astute programme is estimated to generate 2,500 jobs. Also see The Guardian, [Job losses are a way of life in Warton – home to BAE Systems](#) 10 October 2017.

<sup>7</sup> BAE Systems Inc is the US subsidiary with annual revenue in 2020 of \$11.4 billion, and is one of the US Department of Defence's leading suppliers. See [About BAE Systems in the United States](#).

<sup>8</sup> Aviation International News, [Hawk Assembly a Major Step Forward for Saudi Arabia](#) 5 November 2019; and BBC News, [BAE Brough Aircraft manufacturing ends after 104 years](#) 24 December 2020.

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<sup>9</sup> The Guardian, [BAE and the Saudis. How secret cash payments oiled £43 billion arms deal](#) 5 February 2010.

<sup>10</sup> The Independent, [Court condemns Blair for halting Saudi arms inquiry](#) 11 April 2008.

<sup>11</sup> The United States Department of Justice, [BAE Systems PLC Pleads Guilty and Ordered to pay \\$400 million Criminal Fine](#) DOJ, March 2010.

<sup>12</sup> National Audit Office, [Ministry of Defence : The Major Projects Report 2011](#) HC 1520-1, 2011.

<sup>13</sup> National Audit Office, [Ministry of Defence : The Major Projects Report 2014 and the Equipment Plan 2014-2024](#) HC 941-II, 2015.

The Guardian, [Slow, leaky, rusty – Britain's £10 billion submarine beset by design flaws](#) 15 November 2012.

<sup>14</sup> Program on Government Oversight, [Selective Arithmetic to Hide the F-35's True Costs](#) POGO, October 2020.

<sup>15</sup> House of Commons, Defence Select Committee, [F-35 Procurement – Unclear for take-off? Response to the Committee's Second Report](#) House of Commons, 2017. The unit cost figure of £88 million provided by the MoD was met with scepticism by the Committee, with independent estimates of £150-160 million seen as more realistic once the upgrading and maintenance issues were factored in up to 2026.

<sup>16</sup> Hilary Wainwright and Dave Elliott, [The Lucas Plan – A New Trade Unionism in the Making?](#) Alison & Busby, 1982.

<sup>17</sup> The Barrow Alternative Employment Committee, 'Oceans of Work – The Case for Non-military Research, Development and Production at VSEL, Barrow', BAEC, 1987.

<sup>18</sup> Department for Business, Energy and Industrial Strategy, [Advanced Research and Invention Agency \(ARIA\) policy statement](#) DBEIS, March 2021.

<sup>19</sup> Trident Ploughshares, [The Ploughshare Movement](#), 2022.

<sup>20</sup> BBC News, [BAE quits as Great Exhibition of the North sponsor](#) 7 March 2018.

<sup>21</sup> The Guardian, [UK arms sales to Saudi Arabia unlawful, court of appeal decides](#) 20 June 2019.

<sup>22</sup> Department for International Trade, [Trade Update Statement by Elisabeth Truss](#) DIT 7 July 2020.

<sup>23</sup> Steven Schofield [Lifting the Lid on Menwith Hill – The Strategic Roles and Economic Impact of the US Spy Base in Yorkshire](#), Yorkshire CND, 2012.

<sup>24</sup> Emily Scurrah, [What a 'Just Transition' Would Really Look Like](#) Tribune, 4 February 2020.