

Northern Ireland Affairs Committee

Oral evidence: Defence Spending in Northern Ireland, HC 524

Wednesday 17 April 2024

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Members present: Sir Robert Buckland (Chair); Stephen Farry; Sir Robert Goodwill; Carla Lockhart; Jim Shannon; Kelly Tolhurst.

Questions 1 - 30

Witnesses

I: Leslie Orr, Director, ADS Northern Ireland; Professor Trevor Taylor, Director of the Defence, Industries & Society Programme, Royal United Services Institute.

Written evidence from witnesses:

– [\[DSN0005\]](#) – ADS Group



Examination of witnesses

Witnesses: Leslie Orr and Professor Trevor Taylor.

Q1 **Chair:** This is a meeting of the Northern Ireland Affairs Select Committee. I am delighted that today we are embarking upon our first oral hearing in our inquiry on defence spending in Northern Ireland. It is one of three sessions.

Today, I am delighted that the Committee is joined by two witnesses in person: Professor Trevor Taylor, who is director of the defence industries and society programme at RUSI, the Royal United Services Institute; and Leslie Orr, the director of ADS in Northern Ireland. We are very grateful to you both, gentlemen.

I want to set the scene by asking for your overview as to the defence industry in Northern Ireland. We have some hard facts about the importance of certain companies that provide much-needed employment in Northern Ireland, but it would be good to hear your perspective on the current position. What are the strengths and weaknesses?

Professor Taylor: Good morning. It is nice to be here. The defence industry in Northern Ireland is quite small, but it also has a significant history. One of the things that people today have to think about is how much notice they are going to take of that history and how much they should be thinking about a new start, or certainly a development. The ownership has changed and the major businesses have changed, and the technology has changed, as my fellow witness will tell you about.

There are three major companies. Since we wrote the report that the Committee has seen, there have been some major changes. As far as Spirit is concerned, the trouble with Boeing in the United States and the door plug has had a ripple effect across the Atlantic. Its future ownership, though not its future business, has been thrown into some doubt because Boeing are thinking of buying back Spirit.

Nearly all Spirit's business in Northern Ireland is with Airbus. Airbus is the big rival of Boeing. The supposition in the media is that Spirit perhaps will be taken over by Airbus, but that is all very much uncertain. That is a disruptive factor for the people that are in Spirit and looking to steer its future.

That is their big change, but they are also involved with GCAP. The GCAP programme is going well. There is an ambitious target of getting some kind of demonstrator aircraft. Quite what it is going to demonstrate I am not too sure, but it will certainly demonstrate that it can fly—

Chair: That is a good start.

Professor Taylor: —and that it can land as well.

Chair: That is even better.



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Professor Taylor: That programme is going well organisationally and politically. Technologically, as far as we can see, it is making good progress. Their expertise in materials will be very valuable. Spirit is in a period of disruption, but it is looking quite positive.

On Thales, the longer Ukraine goes on and the more that that type of sustained conventional conflict looks possible, the more valuable a company like Thales looks because of its capacity to produce munitions that these days are regarded as consumables because they get used in such large numbers. Its order book has improved. You have witnesses from Thales coming. They can give you details, but Thales looks like a much greater asset. Although Thales is a foreign business—it is French-owned—Thales Northern Ireland has been well looked after by Thales in France. Thales France has seen it as a real asset that it wants to promote.

Harland & Wolff is a different case. It has bought Appledore. The big project is fleet solid support ships. The big challenge is to recruit the skills and labour and to develop the planning and managerial capability to be able to deliver significant parts of that. In the contract, it is supposed to be responsible for the final assembly of the ship. That is a big challenge for Harland & Wolff. It would be really pleasing to see it succeed because it is an enormous infrastructure sitting in the middle of the city.

It will be a really big challenge. I noted that its written evidence to you emphasised its past. It might be quite good if it were to think of itself as a start-up. When the new ownership took over, the employment at the yard was 40 people. It is one to be watched. Its partner Navantia has faith. Navantia has been very innovative. You have to admire the entrepreneurial spirit that has been shown by the new ownership, but that is a big question.

On smaller businesses and supply chains, I would much rather hand over to Leslie.

Leslie Orr: I really appreciate being here. This is a very worthy inquiry. I am delighted to be here to present because this is very vital to Northern Ireland, but it is also vital for all of the UK. The aerospace, defence, security and space industries really do contribute to our security, but they also contribute to our prosperity. It is very important that all parts of the UK benefit from this. This is a very worthy inquiry. I am delighted to be here.

As you know, ADS is the national trade body for aerospace, defence, security and space. We have 1,300 member companies across the UK. Some 95% of all of those are SMEs. That is also reflected in Northern Ireland. We set up ADS Northern Ireland in 2010. Since then it has rapidly grown to 130 companies employing 9,000 people and contributing nearly £2 billion to the economy. That is the four sectors: aerospace, defence, security and space. We have a very rampant and strong civil aerospace industry.



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This defence inquiry really came to life three years ago. When Covid hit the civil aerospace industry, all the companies came to ADS and said, "Guys, the aerospace industry is grounded. We need more business". We tried to help the companies. We looked at the defence numbers. Three years ago, the MoD spend in Northern Ireland was £30 per capita. The same number in Scotland was £360. In Wales, it was £280. Here in the south of England, it was £1,080.

Q2 Chair: The job equivalent is only 80 direct jobs supported by the MoD in Northern Ireland compared with 410 in Wales, for example. That is dramatic.

Leslie Orr: This figure of £30 in Northern Ireland and £1,080 in the south needs a radical change. What really needs to come out of this meeting today is that something radical needs to change. It is not a small tweak; it is something radical.

We have been working very hard in the last three years to try to grow the industry. The numbers have gone from £30 per capita to £100 per capita, which is fantastic, but we are still a long way short from those numbers. We have been working very hard with particularly the RAF. The services have been very helpful. We have been working with Air Marshal Sean Reynolds, the Air Officer for Northern Ireland. We have been doing a lot of business engagement. We have seen a number of opportunities come through.

In terms of the overall industry in Northern Ireland, Trevor's highlighted the main primes, but I wanted to highlight that Northern Ireland is a region of SMEs. It is 95% SMEs. The Province is driven by family-owned businesses. That is really the heart of the issue. They contribute £2 billion.

There is a very strong civil aerospace industry with great capabilities that can be transferred to defence. They are really looking for that. The companies are very hungry for that. Just last week I was at Nitronica, which is an electronics company in Ballynahinch. Nitronica said, "Help us get into the defence sector". Similarly, Hutchinson Engineering in Kilrea said, "Help us get into the defence sector". There are other companies. In Portadown, I visited with Boyce Precision Engineering with Carla. The people there said, "Help us". The hunger is there. We really need to help these companies.

The key factor is that we are 95% SMEs. Traditionally, the MoD struggles to do business directly with SMEs. That is well known. SMEs struggle to do business directly with the MoD. It tends to flow through the primes.

One of the challenges for Northern Ireland—this is one of the key factors in all of this—is that historically we have only had one prime. Thales was the main defence prime. The flow to the local SMEs was really through just one prime. We have an opportunity now. We have Spirit AeroSystems coming into defence. We have Harland & Wolff. It is



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absolutely fantastic that we are going to get shipbuilding back to Belfast again. That will help the local SMEs.

Northern Ireland really should be very big in defence. There are a number of factors that I want to highlight. There is a business excellence programme called SC21, Supply Chains for the 21st Century. It is driven by all the UK primes. There are about 700 UK companies on this. It measures how good a defence company is. Are you good at delivery? Are you good at quality? Are you good at business excellence? I will give you an outstanding fact: Northern Ireland has 70% of the gold awards in the UK. Bear in mind, guys, that we are 3% of the UK in scale. We have 70% of the gold awards.

I will mention a few. Denroy Plastics in Bangor—you will know them very well—Moyola Precision Engineering in Castledawson and IPC Mouldings in Carrickfergus have received gold awards. They are right across the Province. I am not going to mention them all. These companies are really hungry to get into defence. They have all the awards. They have all the accreditations. They have the capabilities that will really help the MoD with their needs, but we need to bridge the gap. This is something very major.

There are a few other factors that I want to bring into the discussion today. Northern Ireland has supported the forces very much in terms of serving personnel. We have 160,000 veterans in Northern Ireland. We have provided the people for our services. We now also want to provide the equipment.

There are some great opportunities ahead. As Trevor has highlighted, the primes are the door to making a major dynamic change in Northern Ireland, but the SMEs really need the benefit. That is the landscape we see on the ground. I hope that is helpful to give a picture.

Chair: It is. I will come back perhaps at the end to ask you to focus on the British Government's announced decision to have a review of the defence industry in Northern Ireland and what your recommendations would be for the focus of that review. Before we get into that, I am going to bring in colleagues now with specific questions. I am going to go to Jim Shannon first.

Q3 Jim Shannon: First of all, Professor Taylor and Leslie Orr, thank you both. Thank you for coming along to enlighten us and give us some of the detail.

Leslie, you mentioned the number of veterans there are in Northern Ireland. Conscription was never needed in Northern Ireland all the way through the first and second world wars and right through to now, because our very nature, as Ulster men and women, is to serve. As you say, we have provided the people. It is now time for the opportunity to be provided as well. It is fair to say that. As someone who served as a part-time soldier in the Ulster Defence Regiment and the Royal Artillery



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for 14 and a half years, I recognise the importance of serving in uniform and I know what can happen.

I have two quick questions. The first—you may have outlined it already—is about the advantages. I would suggest that the advantages—you can answer the question—are that we have a skilled workforce who are eager and able to provide what is needed. At the same time, there are challenges there. Perhaps you could comment very quickly on the advantages and the challenges.

Leslie Orr: In terms of the advantages, I have already highlighted the business excellence in Northern Ireland. There are companies that deliver. Those companies do not want to win business because of this inquiry or because of levelling up. They want to win because they are good. That is the first factor. They want to win because they are good.

What are the other advantages? Northern Ireland is a region of great innovators. They have some great capabilities that would really help the MoD and the services with new technologies. I will pick out a few. Artemis Technologies in Belfast is making e-foiling boats that are not only green but stealth. We really need all our forces to be aware of these great technologies. We have companies such as Catagen, which is making green hydrogen production systems. It is very innovative and leading-edge stuff that we need to make sure the services are aware of. Those are some of the advantages.

The skilled personnel are another advantage. We can come back to this, but Northern Ireland is top in terms of A-level grades. It is a highly skilled economy. We really need to benefit from the skills, innovation and capability in Northern Ireland.

In terms of technologies like cybersecurity, we are one of the world's leading regions in cybersecurity. That prevails right across the services. Those are some of the important things.

There are some challenges. Why is defence spending so low? There is the figure of 0.15% spend. We need to consider why it is so low. Historically, there would have been issues in Northern Ireland with the Troubles, but that is gone a long time ago.

For some SMEs, the distance between London and here is a factor. They have to travel a long way to come to exhibit at events or to meet the MoD. We would like the MoD to set up a base in Northern Ireland. We will come to that at the end. The cost to an SME is prohibitive.

There are a number of reasons why, but the main one was the fact that we only had one defence prime and the SMEs. We would like other UK primes to be encouraged to come and see Northern Ireland. If they are awarded a major defence contract, they should come and see the supply base in Northern Ireland. Those are some of the things. There is a geographical disadvantage, Jim. Those are some of the issues. We really need to get past the historical factors now.



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Q4 Jim Shannon: First of all I will make a play—it would be remiss of me not to do so—for Nitronica from Ballynahinch. It has between 50 and 60 employees. As of yet, it has not had any contracts with the MoD. It is quite disappointing. It has been trying hard to break in. The aim of this inquiry, Mr Chairman and colleagues, will be to see what the MoD can do more to make it happen. That is what you want to do more.

You mentioned a figure for SMEs. Was it 96% or something?

Leslie Orr: It is 95% in Northern Ireland.

Q5 Jim Shannon: That gives you an idea of how important SMEs are. On Thales, the Ukrainian war and the shoulder-held weapons to destroy tanks and so on gave a boost to Thales. Incidentally, Thales has more employees in my constituency of Strangford than it has in East Belfast, according to my colleague Gavin Robinson. It is very important for me, as the MP for Strangford, to ensure those jobs and opportunities are there.

Thales is getting the jobs. The SMEs will get some of the jobs if Thales gets them, if Harland & Wolff breaks through and if Spirit continues. If you want the SMEs to do well, the three big ones have to do well and then it filters down. Thales also has the missile section in Crossgar, which is also in my constituency. The prestige of having those and the skills factor of those are incredible.

I want to try to get my head around this. You mentioned a figure. I think you said 0.15% of SMEs in Northern Ireland.

Leslie Orr: No, the MoD expenditure with SMEs in Northern Ireland in 2013 was only £2 million, which represents 0.15% of the MoD budget. Their expenditure target with SMEs is 25%. We have a huge disconnect right now.

Q6 Jim Shannon: That is a massive disconnect. That is a quite astounding figure. I never realised that it was quite as dramatic of a difference as that. If anything, this Committee and the recommendations that will come should look at how that can be improved. If we start feeding more into Thales, Harland & Wolff and Spirit, it should filter down to the SMEs. The SMEs are the key for Northern Ireland. This is something that must happen.

What would be your suggestion, Leslie and Professor Taylor, to make that happen in a constructive and positive fashion, please?

Leslie Orr: I have a couple of suggestions. First, exactly as you say, the business tends to flow from the MoD through the primes and down to the SMEs. That is the major flow. To shift the dial that we are talking about, some major piece of work has to go into those three primes. You will get feedback from those companies. Thales are a fantastic company in Northern Ireland.

In terms of height of technology, we think Lewis Hamilton is great for keeping a car on the track at 200 mph. These guys can guide something



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at three and a half times the speed of sound. These are engineers at the peak of their technology. They will share with you, but long-term commitment to their portfolio is really what they will be looking for. They have been asking that for many years. Long-term commitment is how you secure long-term jobs and a long-term supply chain.

For Spirit AeroSystems, my colleague Trevor shared its plans to grow its great capabilities in civil aerospace and advanced composites into the defence world and unmanned aerial vehicles. There is great opportunity for them. The shipbuilding now with Harland & Wolff will lead in the future to the supply base.

There is an opportunity for small companies to get directly in with the MoD. I want to share one great nugget about a Belfast company. I like to focus on the good news stories. There is a little company in Northern Ireland called Kinsetu, which is led by two ladies. There are 30 people in the company. It has developed sensor technologies through a DASA contract. That is the Defence and Security Accelerator programme. It is a Government-led programme. Kinsetu won a small contract and now it is on HMS carriers. It provides sensors to monitor every piece of equipment on the carriers. That is a little SME from Belfast. There is opportunity, but it is very unique for a small company to get directly in with the MoD.

These are my recommendations. First, yes, let us see what we can get into the Northern Ireland primes. That is the first thing. Secondly, we need more MoD presence in Northern Ireland on the ground. There need to be clear targets to say, "Are we moving the dial here?" Those are some of the recommendations.

Q7 Jim Shannon: If you do not set targets, you lumber along and you end up with 0.15% when you should be aiming for 25%. Would you agree that it is really critical and important to set targets for each year? If you meet the target, you are addressing the issue.

Professor Taylor: Perhaps I could just say a few words about defence procurement across the piece for a minute. The dial has moved considerably on that in the last 15 years, in the sense that it was formerly about the services. The services were the customer. They got what they asked for. They got what they wanted. Where it came from did not matter too much.

I take you back to "National Security Through Technology". I think that was the one. That document was from 2012. "National Security Through Technology" said that the default position of the UK would be to buy off the shelf from the international market, not even the UK. We now have an acquisition system that is trying to pursue multiple benefits: to bring prosperity; to help levelling up; to sustain the Union, of which this is a significant part; to help with climate change; to give the UK operational independence; to reduce through-life costs; and to make exportable systems. The list goes on.



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When you try to set a target for one particular aspect for SMEs in a particular region, it has to fit into the wider challenges of procurement that the MoD is under. From an SME point of view, it is not enough to think about the technologies and how clever the technologies are. If you are a company—it does not matter what size—you have to think about the market. We have just talked about defence so far.

I would not pretend to be able to run an SME, but there are certain questions that they might ask themselves. First, what problems are really pressing in defence? If you do not know what the problems are, you are running around with a solution looking for a problem. In a sector as big as defence, that is quite tricky. They need to try to understand the specific problems that are in defence and the needs of potential customers. Any company in a market has to ask that question.

In defence, we are moving more and more towards the integration of systems. That is not just integration of platforms but integration of systems of systems. This is about communications systems that talk to other communication systems, that talk to command systems, that release weapons and that process information.

This business of technology is right at the bottom of a very complicated network of links. Therefore, you have to ask yourself, "How will my technology or the function that I am offering fit in? Will it be easy to integrate into a bigger system?" If it is going to go on a soldier's back or on his wrist, it is not too much of a problem. If it is going to sit in the middle of an F-35, it is a completely different deal.

You have to understand the way that defence is going technologically. You have to think also about how it fits with the culture of an organisation. Many military cultures are historically rather conservative. They do not like things that disrupt their organisations. The Army still has units that were established 500 years ago and it is very proud of it. There are not many companies that would say, "We have the same organisational structure as we did 200 years ago".

There is a conservatism. You mentioned the company with the sensors on the carriers. Those sensors enable them to track the movement of sailors around the ship. In a crisis, that is really useful. If there is a fire on the ship or if there is a problem, that is really useful. Day to day, how does it fit in with the sailors that have to wear these things? I am asking the question. It would mean that somebody would know where they were all the time. That is an issue. We need to understand how disruptive a system is.

My last point is that defence is a business where the enemy has a vote. You have to think about, "Okay, I have this innovation. How easy will it be to counter it?" because somebody is going to try to wreck it. If it is going to be easy to wreck, it is not very appealing to the Ministry of Defence because it does not have resilience. ADS is there to help SMEs



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with these things, and there are others out there. If they can get to these questions, they have a better chance.

Generally speaking, it is a tricky area. The MoD does not do too badly with SMEs. We do not want to go the American way. I have some American contacts. They have targets for giving DoD contracts to SMEs. I have heard—this is just gossip, for the record—that in some cases a large company comes along, sees a bid requirement, goes to an SME and says, “I want you to bid for this requirement. We will prepare the bid. We will write it for you. When you win the contract, you give us 80% of the work”. That goes down as a contract with an SME, but the work is not being done there.

These things can be quite tricky. I am not so enthused with targets, but measuring is quite important. There are two sorts of contracts. There is MoD work with an SME that goes through a prime, and so it is down in the prime supply chain, and there is a direct contract with the MoD and an SME. The MoD is now publishing numbers on those. They are not too difficult.

Q8 Jim Shannon: I have one last quick point in relation to SMEs. The shortfall for the SMEs in Northern Ireland is so enormous—it is ginormous—that it has to be addressed. The skill, the workforce and the capability is all there. These guys want the opportunity. The way of getting that opportunity is to set a target, not for the target’s sake but to make the MoD aim towards a figure. That is really what we are about.

That should mean that the people who are there will have the skills to take on the contracts that are there. There is nothing wrong with having a target if it means that the MoD can reach a better understanding with SMEs in Northern Ireland. They quite clearly are not, and they need to.

Professor Taylor: In passing, I would say that the picture is not too easy to understand. You are absolutely right about the small proportion going to SMEs in Northern Ireland, but the regions with larger proportions of SMEs are regions where the defence industry overall is small compared with the big areas. In the north-east there is not a lot of defence industry at all. If you look at the numbers, it is pretty small. In Yorkshire and the Humber, a lot of MoD work is going to SMEs. I will confess my ignorance. I do not know why. Understanding why it is so big is just as difficult as understanding why Northern Ireland is so small.

Q9 Stephen Farry: Good morning to Trevor and Leslie. It is very good to see both of you. Just to pick up on some of the answers to Jim, first of all, in terms of the overall context, we are in very uncertain times globally. There is a debate around the levels of defence spending, including in the UK, and uncertainty about what is going to happen in the United States and their commitment to Europe and the world. I assume that is something that is very much in the background here in terms of mapping out the future.

I would like to get a sense from both of you as to what needs to be done



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differently in terms of procurement policy and the approach to give Northern Ireland a better chance in terms of contracts. Is the problem in Northern Ireland to do with the nature of the companies? Is the problem with the nature of the approach and policy on procurement?

Trevor, I take your point that in the past and to a large extent today procurement is still heavily driven by best value for money and reliability of delivery. To what extent should we bring factors around levelling up, social value, geographical distribution into the system? Can you talk through the issues with procurement policy as they stand today and how you envisage them evolving?

Professor Taylor: We do not know the nature of the next Government, but let us make a basic assumption that it is not going to be too different from this Government in the defence sector.

With particular reference to Thales, that capability needs to be recognised as being of strategic significance, as the production of ammunition and other complex weapons is. That should happen. I am hopeful that it will happen. As you will have read in our paper, it was significantly neglected by the Army. The Army ordered things when it needed them and hoped there was someone there to provide them. That means you have to place orders that can sustain an industrial capability.

Historically, Harland & Wolff got orders, but it did not deliver well enough and so the business collapsed. That is why I say we should think of it as a start-up.

The Ukraine war has raised the question of how we deter our adversaries, in particular Russia. This is a big question. There is no easy answer. One simple part of the answer is that Russia must be quite clear that it has no hope of a quick win. For it to have no hope of a quick win, this side—the NATO side and the UK as a part of NATO—has to have a demonstrated capacity to fight a sustained operation. For how long is a different question, but it should be able to fight a sustained operation.

To fight a sustained operation, you either have to have very large stocks, which are expensive, or you have to have quite large stocks and the capacity to continue and even surge production. A company like Thales in Northern Ireland fits into that equation. That should be recognised.

The other part of your question was about how these wider objectives are to be pursued. This is not just a matter for the MoD; it is a matter of the Treasury rules about how you award in competitions. Up to 20% can go into these considerations in terms of levelling up and social value and so forth.

There needs to be some further evolution of thought within DE&S and Defence Digital because they are the procurement bodies. Remember that the individual decisions are taken by smaller groups. Culturally, their commercial world in particular needs to become more familiar and more



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comfortable making recommendations that are heavily skewed by these considerations.

The fleet solid support ships contract is a very interesting case. You can see that DE&S made a choice that was going to offer great benefit to Northern Ireland, if Northern Ireland delivers. If Harland & Wolff struggles with its part of the contract, Navantia is sitting behind it, if Harland & Wolff cannot recruit the labour force or deliver the ships that quickly. To a certain extent, DE&S got some insurance in that contract.

Leslie Orr: It is a great question. The defence and security industrial strategy, DSIS, was very much welcomed by industry. The Defence Command Paper was also very much welcomed by industry.

However, there are a few things to comment on. As Trevor said, we need to move from the transactional customer-supplier relationship between the MoD and industry to strategic partnerships. As Trevor highlighted, Thales should be a strategic, long-term partnership for the security of our nation.

What we are looking for with key major primes is strategic partnerships. That is the first thing. We very much welcome that, but it is a change in mindset. This is a strategic long-term partnership between Government and industry. That is one key requirement.

In terms of social value, that was very much included in the DSIS report. Industry very much welcomes that. Northern Ireland is very much in that social value zone. There are a couple of areas that probably need improvement. ADS has been working with the MoD in terms of guidance to SMEs on how that is all implemented. We are working on a guide. It is social value 101 for SMEs. At a strategy level, this needs to be explained to the SMEs.

Secondly, the SMEs are saying, "We need some feedback when we do not win an award. What did we get wrong there?" Those are areas on the ground level, but there is a requirement for some changes.

Q10 **Stephen Farry:** Hopefully, we are going to get an MoD Minister in front of us over the coming weeks. What would both of you recommend as the key questions that we should be asking or points we should be making to said Minister?

Leslie Orr: Yes, it should be things like a commitment to overall spend for the growth of the UK. This is not just all about Northern Ireland. This is about UK prosperity. We need an overall commitment to spend on the sector.

We need to invest to keep the UK at the front of these technologies worldwide. That is about the R&D investment in our sectors. In fact, we have an ADS manifesto for the sector. We will share that with you. It is really about making a long-term commitment to that.



There is another key area that we could come on to. This is not about Northern Ireland. This is of huge value to the UK in terms of exports. The UK is a global leader in this area. We would very much value support from Government in exporting.

Globally, the UK is so well renowned in these areas. If the UK Armed Forces buy it, nearly every other country in the world will want to buy it because there is a kitemark from the UK. This is probably an area where we have been struggling as well. We have been trying to sell globally. If our own forces have not bought it first, that is a negative.

I am going to highlight a couple of companies in Northern Ireland that have done well. Cooneen in Fivemiletown has gone globally selling their stuff. Survitec in Dunmurry has also sold stuff globally. There is a global market share opportunity here as well.

Q11 Stephen Farry: I want to come back to the procurement issue. What is the best practice or the ideal way forward in terms of the size of some of the procurement packages? Should the MoD be bundling them up and forcing companies into consortia?

I appreciate that you may not want to go into the detail of any live procurement issues, but there is competition for the next-generation fighter jet. Should the MoD break it up into smaller pieces? What is the best way of handling procurement? I am sure there is no absolute answer either way on that one.

Professor Taylor: When you break things into smaller pieces, the question is, "Who is going to put them together?" and whether Government officials and staff have the capacity to integrate or whether they have to seek wider help. It is a good question as to the right size. We are thinking about all this domain integration. That demands an integrator.

One thing that we have not mentioned so far, which is very much in the SME space, is this organisation, DASA, which you will hear quite a bit about. DASA has been successful in giving quite small but helpful awards to companies. It makes decisions quickly. It is not a big deal. You can apply and get it. It has a track record of making progress.

There is a recognised phenomenon that is known in the trade as the "valley of death". You get things at technology readiness level 5 or 6, but you need somebody to carry them through and you need a programme to get them through. It is not just a British problem. It is also a problem in the US and elsewhere. People are thinking hard about how the outputs from DASA, which includes, as has been said, some Northern Irish output, can be integrated into things that are bought and used. At the minute, that is a problem.

Q12 Stephen Farry: Leslie, as and when consortia are being put together within the sector, is there a level playing field with regard to Northern Ireland companies? Are they at a certain disadvantage in terms of getting



full access to the deals that are being put together?

Leslie Orr: One of the things that we are trying to highlight is the visibility of the Northern Ireland capability. That is really what we are looking for, Stephen. This is linked to your previous questions.

If this package is going to a big prime in the UK, maybe one requirement that makes sense is to go around the UK, around Scotland, Northern Ireland and Wales, and to find partners that give you the best value for the UK, the best quality and the best innovation. If it has to go to one major prime, it should have to go around the nations and find the quality and the capability. As ADS, we would very much help with those national roadshows to grow these projects and get the best capability for the UK.

Q13 Kelly Tolhurst: Welcome to the Committee. Thanks so far for the evidence that you have given. Before I go into my questions, I want to ask for some further information about one thing. You have highlighted the success of Kinsetu and the DASA programme. You said it was unique that it was able to be successful. Can you tell us, if you know, how it was successful? Why was it successful? How did it navigate that system?

Leslie Orr: First of all, it is a very innovative company. That is a key to its success. The entry point was a DASA contract, which was a small contract to get them involved. That got Kinsetu the visibility on the stage. Once it had won the DASA contract, the next stage was, "How do we get this commissioned in the Navy?" That was a different stage.

Winning the DASA was a demonstrator. First of all, it got visibility. There is a gap between finishing your DASA contract and getting an MoD contract. Normally for SMEs, the length of time, the legalities and the amount of paperwork to do is just too much for an SME. To go to the next stage, Kinsetu partnered with a prime. Originally, it was the visibility of the technology and the speed of implementation.

Agility is something that SMEs can give the MoD. It is not just Northern Ireland SMEs that can give them that. SMEs across the UK will give them agility and value. The engagement with SMEs is really what we are trying to get out of this.

Q14 Kelly Tolhurst: It is obviously a fantastic organisation, but would you say it was a bit of luck that Kinsetu has been able to take it to the next stage rather than it benefiting from the systems that are there to support SMEs?

Leslie Orr: I do not know the answer. We should praise the MoD for setting up DASA as an entity to give visibility to the SMEs. It was a small contract to give it visibility. Let us give them praise for that. It is the right approach.

Q15 Kelly Tolhurst: That is great. Moving forward, both of our visitors have mentioned how we should be engaging with the MoD and the relationship there. This is a question for both of you. How can the engagement with



the MoD be strengthened?

Leslie Orr: I mentioned the civil aerospace side. We have engaged directly with the RAF, which has been very helpful in Northern Ireland. We have been trying to get to, as Trevor says, what the requirements are and then matching companies to the requirements. We have been doing a lot of that engagement. Direct engagement with all the services would be good.

We should also set up a hub in Northern Ireland—it might not be target-driven—so that companies can see the innovation in the region. SMEs need to be meeting the companies that ADS is meeting and getting that engagement going. Those are some of the requirements that we would see as moving forward.

Professor Taylor: The service link is an important one. Going back less than a decade, the main procurement body in MoD is Defence Equipment and Support. The model that was set up by Bernard Gray was one where the services articulated their requirement; their supplier was DE&S; and DE&S went out and bought something that met the requirement. Procurement bodies are often not very keen on customers talking to potential suppliers because they get afraid that the customer is going to favour a particular supplier and write a particular requirement.

The emphasis on partnering, which we are seeing not just in DSIS but in lots of Government documents, including the latest procurement model that the MoD has released, makes clear that it is a good idea for companies to talk with the services and for the services to talk to companies. The services know more about the threats and the problems that they have, and the companies know more about the technology. If you get them to converse, you are more likely to get a sensible outcome.

That is not easy to do for every company, but there are industrial bodies that can help with this. That is what ADS is for. There are local links that can be pursued. It does take time. It takes effort to understand your customers, but that is what companies have to do, whichever sector they are in.

When we did our study, DASA was not maintaining a person in Northern Ireland. They have a formal Air Force link, as you mentioned.

Leslie Orr: We have a DASA person that covers Northern Ireland and Scotland. It is working very well. We are very pleased that just recently the RAF has set up an innovation node in Northern Ireland. That is actually a person who is looking for innovation. That is part of the answer on the way forward. Let us look for innovation. Let us not try to squeeze a contract where it does not make sense. If we see some great innovation within the region that really will solve our problems, that is a great way forward.



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Professor Taylor: I would also say that we need a bit of expectation management. Building industrial capability in defence can be very time-consuming and difficult. It is very challenging.

My quick throwaway line—I suppose it can go on the record—is that it is easier to build an air force than it is to build an airplane. We should never forget that. Maintaining the industrial capability that you have is very important, but we also need to recognise that building it up is not a 10-minute job.

We should understand the rate of change. There is a lot of talent in Northern Ireland and there are a lot of very good suppliers, but it will not happen overnight. We should have a sense that it will take quite a while to do.

The political situation in Northern Ireland is very important. It is really important for the companies to be set up in such a way that does not reflect in any way the wider political context in Northern Ireland.

Q16 **Kelly Tolhurst:** I want to get your views on social value in MoD contracts. When I was in BEIS, one of my particular bugbears was the social value element and the barrier that it sometimes represented to some SMEs around the UK.

First of all, you have articulated a little bit about the value that the defence industry can and might play in the development of the Northern Ireland economy and prosperity. To what extent does the MoD consider local prosperity and levelling up when making procurement decisions? How is social value assessed and assigned in the MoD procurement criteria? Are you clear about how that is implemented in Northern Ireland?

Leslie Orr: DSIS, the defence and security industrial strategy, brought in a minimum of 10% for the tender value weighting allocated to specific social value objectives. That still needs to be made clear to SMEs. ADS wants to help companies. There is still an implementation issue on the ground. The goal is good, but the implementation still needs to go somewhere.

In terms of your overall question about whether they understand the overall impact on prosperity and growth in the region of defence spend, it is a massive opportunity. Just to share, we have been driving a strategy in Northern Ireland called Northern Ireland Partnering for Growth. It started in 2014. It was a 10-year strategy. Its aim was to grow these sectors from £1 billion to £2 billion, to double these sectors. We have hit £1.9 billion.

By the Farnborough International Airshow this year, we are on target to announce that we have doubled the size of the ADS sectors: aerospace, defence, security and space. Defence has been a very small growth factor. The biggest growth factor has been in civil aerospace.



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We have seen the prosperity that that brings to a region. Just to highlight, civil aerospace industry is vital to Northern Ireland. In an area of the Mourne, Kilkeel, there is a company called Collins Aerospace, which makes one third of all the aircraft seats in the world. Across that whole area, family livelihoods come out of that business. There is an opportunity to impact the economy and an opportunity to impact our social setting. That is very interesting.

If we look back to the dark days in Northern Ireland, the troublesome spots were the areas of economic deprivation. They were mapped exactly. There is real opportunity to grow Northern Ireland out of this. That is why we very much welcome this inquiry.

Professor Taylor: The defence industry is marked by higher pay and higher productivity than average. It is well known. That makes a contribution to prosperity. People with higher pay can either invest it or they can spend it, and they usually spend it locally. The multiplier effect is much better. Of course, they also pay more tax to the Treasury. Defence is solid in that.

There is one nuance in all this. If you are the commercial person charged with running a competition, even if it is not a big contract, the questions that an SME has to answer in making a bid in the competition are now more complicated. You have to ask, "What you are going to do for social value?", "What you are going to do for climate change?" and all of these kinds of things. It is beneficial, but it has more difficult consequences as well. Again, that is where the industrial bodies can really help.

Q17 Kelly Tolhurst: I have one final question. On that point about making it clear, is there something that the MoD or another Government Department could do to enable our SMEs within the defence sector to be able to deal with some of those elements more easily?

I know that great trade bodies, et cetera, can give them that hand, but what I am trying to get to is whether this is a key area where some of those SMEs fall down at the first hurdle or walk away because it is too much of a challenge. Have we got the time and inclination to try to answer those questions and deal with it?

Professor Taylor: Nationally, DE&S has a group that is supposed to help with these things. I do not have visibility on how well that works. If you go to DE&S's website and their material, it offers advisory services. There is a whole world when you are dealing with defence, especially sensitive defence, that can be an obstacle and sometimes cause companies to walk away.

You have to go into the world of security clearances. You have to go into the world of information protection. You have to have certain facilities, if you are in receipt of classified information. To a certain extent, you can also go into the world of export controls. If what you have is of



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demonstrable defence relevance, you are probably going to need an export licence to sell it.

That is just the world of defence. The other part, which just got a passing mention, is the safety regime, especially for things that go in the air. When you put something in, demonstrating that it is safe is an expense and a problem. Those considerations can put off smaller companies that might look for easier markets.

Leslie Orr: The point that you raise is a priority within the MoD. It has very much focused on this for quite a while. It has set up an SME action plan. ADS is working very closely with SMEs. There is still a fair way to go, but it is a priority for the MoD to be able to engage better. As I said, ADS is working together with the MoD on a social value guide to simplify this.

The difference is that large primes can have lawyers and people to look at contracts. Small companies do not have that. It is a priority. That is the issue.

Q18 Sir Robert Goodwill: We have heard a lot of evidence today about the importance of SMEs and some of the challenges that they face. Mr Orr, you said you have 130 companies based in Northern Ireland. To what extent are those SMEs that are reliant on companies like Thales and Spirit? To what extent do we have small independent companies innovating and doing their own thing? Just give us a picture of how interdependent some of these companies are with what is going on at Thales or Harland & Wolff.

Leslie Orr: It is a region of great capability. Spirit has been there for over 100. A supply chain has developed around them.

Stephen Farry: Short Brothers started in Kelly's constituency.

Sir Robert Goodwill: Yes, they came from Rochester, did they not?

Kelly Tolhurst: Yes.

Leslie Orr: In fact, the first ever contract to manufacture aircraft in the world, which was between the Wright Company and Short Brothers, was in Rochester.

Kelly Tolhurst: I am very proud of Shorts. I look at their old slipway every day.

Leslie Orr: This industry, which is worth billions of pounds globally, started here. The supply base has grown around them. To your question, many of them have developed as subcontractors to the primes. Direct access to the MoD has been very difficult. I only have one or two examples of companies doing direct business.



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Coming back to the big question, how do we really shift the needle to correct that imbalance? It is about looking at what the primes in Northern Ireland provide the MoD so that can flow down the supply base. These have tended to be the hardware guys that produced subcomponents. There is now a massive industry in cybersecurity and software services, which can do business directly with the primes or the MoD. There is a new wave of cyber companies that can do business directly.

To your question, the vast majority of the 130 have developed as subcontractors.

Q19 Sir Robert Goodwill: Before Professor Taylor comes in, is that predicated upon an expansion of the big companies? Are they farming out the work that they cannot do? If there were a contraction, would it mean they would take more in-house to keep their own guys busy? If we see a big expansion, is that going to help SMEs even more?

Leslie Orr: It tends to be that many of the smaller machining services and different things have been outsourced to the local supply base. If the topper is filled in at the top, it will spread out along the regions.

Professor Taylor: It is not in these MoD figures, but I have access to some other figures. They will be published, but I cannot quote them directly because they have not yet been published. Roughly speaking, it seems that about twice as much MoD spending on SMEs goes in through the primes or the bigger companies and about a third goes in directly with SMEs.

SMEs are not all high-technology companies. As Leslie says, the main suppliers already use massive numbers of companies. When you look at the number of suppliers that BAE Systems have, even in the UK, it is in four figures.

Q20 Sir Robert Goodwill: Mr Orr, you talked about bridging the gap between SMEs and companies in your earlier evidence. Is one of the barriers to that bridge being built the whole issue of data confidentiality and secrecy? Particularly if you are looking at US technology and ITAR considerations, people can be very nervous about sharing data. Does that slow down the whole situation?

Leslie Orr: Yes, there are special requirements in terms of doing business with defence. One, for instance, is Cyber Essentials. If you are a small business, is your data secure? I am very pleased to announce that today in Northern Ireland small companies—with under 50 employees—are being given help with attaining Cyber Essentials. To get that accreditation for your cybersecurity is one element.

The other area is to get security clearances. ADS very much helps our members get security clearances. There is a little bit of chicken and egg there. You have to have an MoD contract to get security clearance and you cannot get security clearance until you have an MoD contract. We



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have to navigate that a little bit, but security clearance is a bit of an issue there.

If they see an opportunity, all the companies are up to jumping all the hurdles. That is the way I see it. There is such a desire. I would go back to the very strong aerospace industry. They struggled during Covid, and they want their eggs to be in more than one basket. They are smart businessmen and they very much want to contribute to other sectors.

Q21 Sir Robert Goodwill: When we were on an earlier visit to Queen's University in Belfast, we were very impressed by some of the cybersecurity work going on and some of the spin-off companies that were being generated through that situation.

One thing that was not mentioned was cyber-offensive. It was all about protecting your software and everything and preventing your adversaries from turning off your power station, but work is going on about turning off their power stations and their air defence systems. Is that something that has to happen within GCHQ or within the absolute security barriers that we have? Is that something where innovation could come forward? Is that an opportunity for companies?

Professor Taylor: Those are the black hats. White hats are the good guys. Cyber is a contest, as we all know. You rightly point that out. The offensive bit is little spoken of, but, in order to know you have an effective defensive system, you have to have a good understanding of what a good offence looks like. It is an absolute part of the industry.

In my remarks, I said, "If you have a product, how easy is it to counter?" You have to have that. It is not just GCHQ. It is pretty pervasive. All companies have to figure out some way of defending. I compare it with Fort Halstead and Chertsey, which the Army used to maintain as two research establishments. Fort Halstead worked on ways of knocking out holes in armour. Chertsey, which was also funded by the Army, worked on making armour that you could not knock holes in. You have to do both. Cyber is exactly the same, as you point out.

Sir Robert Goodwill: Yes. It is all in the same vehicle, if you are building a tank. You have both.

Professor Taylor: Yes.

Q22 Carla Lockhart: Thank you to the two witnesses today. Thank you for your efforts in Northern Ireland, particularly among the industry. From personal experience, Leslie, I know that you go over and above with regards to promoting the industry and trying to assist that co-operation across the water.

There are a few things that I would like to touch on before I get to skills. As you will know, my constituency is strong in aerospace. They have pivoted to defence in recent years because of the downturn in aerospace. I am always keen to try to support those businesses.



You talked about how you feel there should be an MoD presence in Northern Ireland. Has that been floated? Have there been conversations about that? Is the Executive on that page? Have we had conversations here in Westminster about the potential for that? That would be a game-changer in terms of a more strategic look at it. At the minute it feels a little bit more scattergun. People have nearly fallen into it as opposed to strategically being identified as being exceptional in their field and being part of the overall defence solution.

I am keen to understand what discussions have been had around that and what more we can do to push that side of things. If you come back to me on that, I will then touch on the next couple of things.

Leslie Orr: I really appreciate that, Carla. Today is probably the first time that we are really proposing that. Some good engagement is being led by the services. Primarily, the RAF has set up an innovation node. That has just happened recently. The services are looking for opportunities.

For instance, we are aware that the MoD has a person in Thales, but somebody to look after all of Northern Ireland is something we are proposing today. If the Committee feels like that is a good suggestion, the Committee could help to push that forward. We are really proposing that here today because the gap is so huge that we need to have a strategic plan to move that forward. That is what we are recommending today.

Q23 **Carla Lockhart:** That is something that, as a Committee, we can poke at and see where it lands. I will certainly do everything I can to promote that going forward. It is also important that we approach the Executive so there is that collective voice saying, "Look, this would be beneficial to the industry here in Northern Ireland".

Leslie Orr: In terms of the Executive—very positively, as the Executive has again been formed in Northern Ireland—ADS has been asked by Stormont to host the all-party group on aerospace and defence. That is just in the early forming stage. We have not had our first meeting yet, but there is an all-party group being formed on aerospace and defence in Northern Ireland. That will join us up with Westminster. We are very pleased to have been asked to host that committee.

Q24 **Carla Lockhart:** You will know that our party certainly has not been found wanting with regard to trying to push this issue. This inquiry is a result of the Member from Belfast East and our party leader, Gavin, who has been very vocal about trying to focus on this because we see the opportunities for Northern Ireland in it. We will be pushing it at an Executive and Westminster level. Does Professor Taylor have anything to add?

Professor Taylor: It is a significant instance of the impact of a think-tank. The notion of looking at the defence industry in Northern Ireland as a whole was an idea that came out of a think-tank. The publication that



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we made has had an impact and people have taken it further. Leslie was working hard on this before, but it is interesting to me that the work we did has had these consequences.

Yes, we need a centre, but there are two other things that are more focused. First, we need some encouragement that DE&S should be monitoring and supporting the development of capability at Harland & Wolff. The big risk is if they cannot deliver and it does not come off. The skills that it needs are different. It needs welders and people who build ships. They have disappeared.

Take a different programme such as Ajax, which some of you will be familiar with. As far as I could see in my research into that, DE&S signed a contract and said, "Let us know when it is ready. You have to pay if it is late". There was not a big DE&S presence in the factory or in the test arrangements that they made and so forth.

With the fleet solid support ship, I would hope that DE&S does provide staff and keep track of the progress that is being made. When Harland & Wolff has problems—I am sure it will—DE&S needs to offer as constructive help as they can to make sure those problems are managed. This is a big project. The potential to re-establish shipbuilding in Northern Ireland rests on this contract. If this contract fails, it will not come back again. I hope DE&S will be supportive.

Building Thales in the consumables area—let us call it that—with ammunition and so forth would be helpful. Spirit is excellent at composites and composite structures. The MoD is in a big place in terms of uncrewed air vehicles because the possibilities are endless. You can get one for \$20 or you can get one for \$2 million. Spirit is extremely interested in this area. I hope it can be fully involved in the discussions. The MoD is trying to work out how we use uncrewed systems. There is an interest in autonomy, but autonomy is very AI-driven. That is something that some of the IT work would help with.

I suppose what I am saying is that having a centre is one thing, but we need to have the key players in the different sectors fully engaged.

On shipbuilding, one of the things that affects SMEs is clustering or, in other words, geography. That used to be the case in Northern Ireland with the shipbuilding industry and with Shorts. It has survived. There are SMEs associated with Thales and Spirit. It is not just a matter of building the capability at Harland & Wolff; it is a matter of building the supply chain among local companies for Harland & Wolff.

All these avenues need to be pursued. They are a bit different, if you see what I mean. As well as a centre, I would like to see individual projects and individual companies being addressed and supported.

Q25 **Carla Lockhart:** Just very quickly, Leslie, you talked about the visibility of Northern Ireland's capability. I thought that was a great line. How



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good we are and how much we can contribute to the overall picture is not visible. I am keen to understand how we could increase that visibility on the ground.

One of the problems that holds us back is the skills shortage. Certainly, in preparation for this, I spoke with some of the companies that you will well know from my own area. They say the skills side of things is a problem. I am keen to understand your assessment of the skills shortage for the industry in Northern Ireland and the UK as a whole. What steps could be taken by the Government here and the Executive with regards to ensuring that people have the right skill sets?

There is also this workforce planning issue. We need to drill down into ensuring that careers, teachers and schools are in tune with the industry needs. Many of them are, but, because it changes so much, we need to keep reaffirming that this is an area where there is potential for young people. What skills are required by the defence industry? How are they changing, and how do we need to adapt to those?

Leslie Orr: First of all, we are totally agreed on the visibility. We both see that. We are passionate about it. We see the capability in Northern Ireland. To have that visibility, to show that across the UK and the globe, should be a priority.

In terms of that, first, we are looking forward to hosting this Committee in Northern Ireland so you can get face to face with those companies. That is the first thing. I am trying to represent them, but I want you to hear from them directly. Our team is already working on that meeting in a month or a couple of months' time.

Secondly, on the visibility point, Government can help. There is a challenge, as I highlighted earlier on, for Northern Ireland companies to come and exhibit at Farnborough or DSEI, the big defence show. There is a cost. There is a higher cost. We are part of the UK, but there is a higher cost. We need help for Northern Ireland companies to come and exhibit. That would be something we would ask for. The DBT could help us to sell our defence industry globally. Those are the visibility points.

On the skills front, as Northern Ireland MPs, you will know that we are a very highly skilled workforce. Northern Ireland has the top grades in A-levels. Every year, Northern Ireland gets top marks in A* and A grades. We are a very highly skilled region.

As ADS, we have very good links with Queen's University and the Ulster University. On Tuesday next week, we are running the schools rocketry challenge at RLC over at Langford Lodge near Crumlin. The schools are taking part in the schools rocketry challenge. That is just to engage the young people for tomorrow. We also have a Schools Build-a-Plane project going on quite amazingly at the Maze, where schools are building a real aircraft. We are excited about the transformation of the Maze from what it was to being a hangar for young people in the future.



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In our Northern Ireland Partnering for Growth strategy, we had a target to grow the industry from 8,000 to 12,000. We got to 10,000 and then Covid hit. That set us back. We have not reached the target of 12,000 employees in the sector. The factor there is not that we do not have the jobs; the issue right now is that we cannot get the people.

Skills is an issue. Skills is an issue right across the UK. Northern Ireland is probably in a slightly better position than the rest of the UK. We have great skills. It is an issue right across the UK. As part of the ADS manifesto, we are calling for a long-term strategic workforce, for the workforce of tomorrow. We need to look at a strategic plan. It is an issue right across the UK.

One specific thing that we would ask for help with is the apprenticeship levy in Northern Ireland. There is a specific factor in Northern Ireland that you may be aware of. The levy comes back as part of a block grant and it is then not necessarily used for apprenticeships. That is a big issue.

Q26 **Stephen Farry:** That is not good for apprenticeships at all.

Leslie Orr: It is not good for apprenticeships at all. That is a factor. Companies are paying a tax. It is going back to Northern Ireland as a block grant, which is not being used for apprenticeships. That needs to be fixed.

Sir Robert Goodwill: That has been one of our hobby horses, actually.

Q27 **Stephen Farry:** I just want to come back on two questions on skills and R&D, respectively. Building on your last answer there, Leslie, I absolutely agree on the quality of the skills that are produced by our local colleges and universities, but, in particular, we are conscious of the gaps in the volume of engineering graduates coming through. That probably references back to a previous inquiry that the Committee did in terms of the Northern Ireland economy. I take it as read that you would encourage the Northern Ireland Executive to look seriously at the scale of the people coming through in engineering and other STEM subjects.

As a second question, probably more broadly, could you talk through in a little bit more detail what is happening in the wider ecosystem in terms of the interaction between companies and universities at the research level? What other research is happening independent of the universities and how could that be better supported by Government?

Just by way of context, a lot of research spending is generated through Northern Ireland expenditure. There are also patterns in terms of the big research investment that happens UK-wide. Again, that is overly targeted at what is called the golden triangle between Imperial, Oxford and Cambridge. Is that just mirroring what is happening in terms of defence spending? Is there a parallel or a synergy between breaking through the R&D knot and breaking through the defence spending knot?



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Professor Taylor: Defence companies spend quite a bit with universities. That is not particular to Oxford and Cambridge or, to a certain extent, Imperial, but they are the engineering specialists. Loughborough and Cranfield are prominent.

It is an extremely difficult issue because everybody recognises that we need fewer people like me, who are technologically illiterate, and more STEM-qualified people. The range of skills that are required for defence are very wide. To a certain extent, shipbuilding is still quite an old fashioned business.

The positives in Northern Ireland are quite strong. Leslie and I have been persuaded that Spirit and Thales and even some of the SMEs have decent prospects. There are obstacles, but they have decent prospects. The big gamble is in the engineering piece.

There is one question that I would ask to everybody. Given the output of Irish universities in STEM subjects, particularly in IT, does the improving political situation make it more likely that more of those people will stay in Northern Ireland rather than look for jobs in England? The English equivalent to that problem is that a good STEM graduate can pick up a much higher salary in the City of London than in an engineering factory. I would hope that improving the political situation will make it easier to keep good people in the Province.

Leslie Orr: Stephen, you have absolutely hit on it. I spent eight years of my life at Queen's University. I first did a BSc in mechanical engineering and then a PhD in aerospace manufacturing at Queen's. Increasing the quota for engineers at Ulster University and Queen's University should be an absolute priority. They are great universities.

I have a personal concern that we are attracting so many foreign students to those universities that the local staff will not stay there and grow our industry for the future. The limited number of places for engineering is curtailing our industry. I absolutely advocate what you are asking for. Increasing the number of engineering places at the universities is absolutely priority one.

To your question in terms of R&D spend, we are working right now on the civil side to grow the engagement of the Aerospace Technology Institute in Northern Ireland. We have to do the same in the defence world because we are nowhere near there.

Q28 **Kelly Tolhurst:** I just wanted to touch on exports. I know we have touched on it very briefly, but, Mr Orr, what is the value of exports to the defence and security sectors in Northern Ireland? What additional support could the Government give to Northern Ireland's defence and cyber industries for that exporting challenge?

Leslie Orr: I do not have the precise data on defence exports from Northern Ireland, but I am aware that a substantial amount of the



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business of our biggest prime, Thales, is exports. It is winning contracts in Malaysia, southern Asia and the Middle East. That is for some of the newer technology that our own forces do not have.

Exports are vital. The passionate plea to this inquiry is about the opportunities across the UK to grow our exports. As I said earlier on, Government partnership in this will be key. As I say, there is a term in the industry that uniform buys from uniform. If we have partnerships with industry, we can help sell globally.

I highlighted two local smaller companies that are winning in the international space, Cooneen and Survitec. We need more help in exports. We need a plan for UK industry and Government to sell together on defence to the countries that we feel should merit that. I am very conscious that this is also a plan of the US. We have currently had so many visits from the US DoD. They are investing in trusted partner countries around the world, and we should be doing the same.

Professor Taylor: Do not overlook that the wings that are being manufactured at Spirit for the A220—you can look at the numbers—are all exports.

You could ask Thales executives to confirm, but the Thales factory in Belfast would not have been there without exports. The Army took its eye off the ball. The scarcity of orders for the products that Thales made did not show any awareness of the strategic need of the companies for business. As you said, the company managed to find export markets, which kept the capability there.

Q29 **Chair:** I want to reiterate the point that I made earlier about the Government's review. As a way of summing the evidence today, can you just give us very succinctly the points that you think the Government need to focus on?

One of them might be—it has very much come out from your evidence today—about the need to help support the role of SMEs in the supply chain, for example, bearing in mind the key role of SMEs in Northern Ireland. I would be interested to hear from both of you. Could you say three or four bullet points that the MoD should be considering as part of its review? What topics should they focus on?

Leslie Orr: We very much welcome the social value initiative. Clarifying that for SMEs is point one. Growing the SME action plan to engage with SMEs is point number two. The third point is really this thing about strategic partnerships, as Trevor has been outlining. This is a long-term industry. If a company is a key prime, we need to nurture it for the long term. We cannot place an order and then 10 years later come back with another order hoping it is still there. That is one of the key things. We need this shift in the strategic partnerships. Those would be three of the main asks.



Professor Taylor: I am not sure whether I have much else to say. If I ventured on to some more political ground, the Government should be thinking about whether the changing political situation in Northern Ireland means the Government and the defence sector in particular should be thinking specifically about Northern Ireland and the opportunities that it raises. Frankly, we do not know about any prejudice, concerns or risks that might have been associated with any previous thinking.

If you are thinking about increasing the prosperity of a region, defence is quite a good way of doing it—there is increased awareness of that—because of the salaries and so on that it involves. They should be thinking specifically, as this Committee is doing, about whether there are opportunities and what the impact of greater prosperity would be on the political environment in Northern Ireland.

Q30 **Chair:** That is a very good point to raise. There is a question that this Committee will inevitably look at. Clearly, there has been a reluctance historically, perhaps for political reasons, for the UK to site many of its strategic defence interests in the six counties. As the world changes and becomes a more uncertain place and as we hear more voices in the Republic talking about their defence capability, perhaps now is the time for a revised appraisal of the importance of siting strategic defence businesses and capability in Northern Ireland and indeed more generally in the island of Ireland.

Leslie Orr: I very much support that overall vision. This has a huge opportunity to develop the prosperity of Northern Ireland. It is totally within the Government's remit to make these changes. It is within our control; it is the right thing to do; and the industry is very hungry for it.

Chair: That is very interesting. Thank you very much indeed to both witnesses for your comprehensive evidence this morning. We are grateful to you. The Committee will consider these matters again on two further occasions before providing a report. Thank you for attending.