

Northern Ireland Affairs Committee

Oral evidence: Defence Spending in Northern Ireland, HC 524

Wednesday 22 May 2024

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Members present: Sir Robert Buckland (Chair); Damian Collins; Stephen Farry; Sir Robert Goodwill; Claire Hanna; Carla Lockhart.

Questions 70 - 114

Witnesses

I: James Cartlidge MP, Minister for Defence Procurement, Ministry of Defence; Brigadier Andrew Muddiman, Regional Commander for Scotland and Northern Ireland, Ministry of Defence; Barney Kistruck, Director for Defence Industrial Strategy, Prosperity and Exports, Ministry of Defence.

Written evidence from witnesses:

– [[DSN0008](#)] – Ministry of Defence

Examination of witnesses

Witnesses: James Cartlidge, Andrew Muddiman and Barney Kistruck.

Q70 Chair: This is a meeting of the Northern Ireland Affairs Committee. We are carrying on our inquiry into defence spending in Northern Ireland. I am grateful to be joined today in person by a panel of three. James Cartlidge is Minister of State for Defence Procurement at the Ministry of Defence. Brigadier Andrew Muddiman is the regional commander for Scotland and Northern Ireland at the MoD. Barney Kistruck is director for defence industrial strategy, prosperity and exports at the MoD. Thank you very much indeed for attending the Committee this morning, gentlemen.

Could I move straight on to Harland & Wolff? There have been reports in the press about negotiations with that company with regard to a potential £200 million loan facility via UK Export Finance. Could you provide us with an update as to where we are?

James Cartlidge: First of all, thank you for inviting us. It is a pleasure to be here and we look forward to engaging with the Committee. As you will appreciate, there is a limit to what I can say. I am not going to comment on any speculation on commercially sensitive matters. The only definitive point that I want to make is that no decision has been made about financial support for the company.

Q71 Chair: It has been reported that the company has been asking for, in effect, a full loan facility. A guarantee would often be up to 80%, but it has been asking for more. Are you able to give us a timescale as to when you think these issues are going to be resolved?

James Cartlidge: You probably understand how these things work. I am afraid that I cannot say any more, other than that no decision has been made yet.

Q72 Chair: What confidence would you have that, without such a loan facility, the company would be able to deliver the FSS programme?

James Cartlidge: I am not going to comment at all specifically on the loan. No decision has been made. What I can assure the Committee of, without prejudice to the current position that is being speculated on, is that FSS remains a top priority naval procurement for the Ministry of Defence. We are committed to delivering it. It will ensure continued investment in shipyards in the UK, including in Belfast.

Q73 Claire Hanna: The recovery and rebirth of Harland & Wolff in 2019 came on the back of a very determined trade union campaign. You may be aware that that site was almost sold for leisure and retail, and would have wiped out not only our city's shipbuilding heritage but the potential for Belfast to be part of, for example, manufacturing in green technology and some of the industries of the future around decarbonising the economy. What assessment have you made of the implications for the shipbuilding sector in Northern Ireland as a whole if this contract were to



be lost?

James Cartlidge: I appreciate why you are asking that. I am not going to be drawn on this, because that would imply that I am going to comment on the speculation. It just is not appropriate for Ministers to comment on commercially sensitive speculation. I say that without trying to imply anything. All I can tell you is that, in terms of the FSS contract and delivering these solid support ships for the Royal Navy, we remain absolutely committed to delivering those three ships.

Q74 **Claire Hanna:** I will just leave you with the point that it is about that contract. It is about the jobs, the apprenticeships and the capacity currently at Harland & Wolff, but it is also about the wider potential of that part of Belfast and those industries, now and into the future.

James Cartlidge: I am more than happy to comment on the point, without prejudice to any speculation that you are hearing. I appreciate the importance of shipbuilding to Belfast. I entirely understand that, but I cannot be drawn on any of the speculation, because it is commercially sensitive. I am afraid that all I can confirm on the financial point is that we have made no decision yet on financial support.

Q75 **Carla Lockhart:** Without labouring the point, but to reiterate and to back up what Claire has said about the importance of this industry to that part of Belfast and, indeed, to Northern Ireland, it is important that the right, clear message goes from this Committee today that we need intervention. We need to see this issue resolved; we need to help and support this company build back stronger. The potential is huge, and certainly, as we walked around it on Monday, there was a real sense of excitement for what could happen on this site going forward. We cannot stress this enough, and I do that on behalf of my colleague, Gavin Robinson, the Member for Belfast East, who I know has engaged extensively on this as well. It is important that you take that message.

James Cartlidge: Thank you. Is Gavin not attending today?

Q76 **Chair:** We hope that he will. He has been taking part in this inquiry as a member of the Defence Committee and has already played a valuable role. He may well attend later and, if so, I will give him the chance to ask you.

James Cartlidge: The interest of the Committee is noted. We know the importance of shipbuilding and, of course, the wider defence industry. There are many positives to talk about in the wider defence industry, and we are determined to drive that forward.

Q77 **Sir Robert Goodwill:** One point that came across very clearly when we were at Harland & Wolff on Monday was how important it is for the Government to be able to have a very competitive environment in order to get good value in terms of defence contracts. In order to have a competitive environment, you need a number of competitors. The concern was that, if Babcock and BAE Systems were the only shows in



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town, it might be more difficult in future to get good value for money and competition in terms of quality and innovation. Would you agree with that?

James Cartlidge: It will not surprise you to know that, in principle and without prejudice to any of the current speculation, having competition can be very supportive of innovation. We are talking broadly here about economic theory, but that is absolutely correct. You can appreciate why I do not want to be drawn into a specific discussion on what is happening at the moment. These are commercially sensitive matters. Of course, it is correct—and I am sure that the Chancellor would agree—that, in terms of the wider economy, competition is a crucial way of driving innovation, choice, good value for money for taxpayers, etc.

Q78 Chair: Let us go to the general questions. When you look at the figures per person on defence spending in the UK, it is a pretty stark reality. Defence spend per head in my region, which is the south-west, is £5,930. In Wales, it is £780. In Northern Ireland, it is £190. We know that there will be historical reasons for that. A lot of them will be security-related—let us be frank about it—but we have moved a long way from that era and are now in a time when we are hearing a lot more discussion in the Republic about its defence capability.

While the Republic is a neutral country in terms of NATO and its geopolitical stance, the island of Ireland inevitably has a strategic importance in the north-west Atlantic. People, if not waking up to it, are working towards understanding how better to prepare the island of Ireland for its security and safety. Therefore, the question of defence investment and spending, and defence industry capability, is, inevitably, linked to that.

What approach do the Government take generally to ways in which we can improve that regional disparity and, frankly, get more investment into defence spending in Northern Ireland?

James Cartlidge: It is a very good question. First of all, you will be aware that the latest figures, which are for 2022-23, on spend with the industry in Northern Ireland were £186 million. That is an increase of 20% from the previous year, so a significant increase. Hopefully, that is positive.

We should acknowledge that, in terms of some of the history of that, defence spend tends to follow where the primes are located. Much of the SME work in subcontracting falls into the primes. There is some very positive stuff coming out of Thales in Belfast. A BAE site is in Barrow. What you say about the south-west is partly because of the infrastructure that is there. It is quite obvious, when you have a very large naval base such as Devonport, that you are going to have industry growing up around it.

What I would say is that, while the MoD will always remain a reserved department and one that is entirely national in the way in which it spends



its money, it does not allocate on an arbitrary regional basis or to the devolved nations. Nevertheless, if we spend our money effectively and we support industry, Northern Ireland should gain from that.

If I may give you one very positive and significant example, you will be aware, as I confirmed last week, that the Ministry of Defence is developing a very cutting-edge, novel weapon called a radio frequency-directed energy weapon. You may have seen some coverage of this. Basically, this is hard kill with radio waves against drones, the crucial point being that, with one shot, at a cost of about 10p, this weapon can take out multiple drones at once.

It is incredibly important when you consider what we are learning from what is happening in Ukraine. The really positive thing is that the prime involved with this is Thales, and that involves a lot of capability work in Belfast. That demonstrates, in a very relevant way, the importance of Northern Ireland to the development of our military capability. What really matters here is that we are in very serious times. We are looking at what is happening in Ukraine and the threat that we face. We have also seen, in the Red Sea, the importance of drones. We not only have to have offensive capability. We need to be able to defend our Armed Forces, and it is very positive to see Belfast playing its part in helping develop some of that technology.

Q79 Chair: Some of the industry go as far as to say that perhaps setting a target for increasing spending would be helpful. I know that, in his evidence to the Welsh Affairs Committee, Mr Kistruck said that you are place agnostic. I understand that, but you also have a political function. We are here to safeguard our union. There is also a beneficial effect, as I have said, to the whole island of Ireland. It does not have to be an argument that causes division. What would you say to that argument that we need to be a bit more specific and bolder about how we can reduce that disparity?

James Cartlidge: We have been pretty bold. We have a defence spending target, which is 2.5%. We are going to achieve it. We have a fully funded, costed plan. Of course, that is defence spending for the whole of the United Kingdom. I cannot speak for any future Government, and no Parliament can bind its successor, but it would be very difficult in practice, frankly, aside from anything else, to make such arbitrary targeting work.

I have never heard that from industry. I engage with industry all the time. My first ever SME roundtable was in Larne on Armed Forces Day last year, and not a single SME mentioned that to me. Obviously, they want to see more spend and investment; who would not? I have run an SME. I know where they are coming from. What matters is that the UK Government are committed to defence as a whole.

We sent a very powerful signal with our intent to get to 2.5%—and it is funded—because the biggest benefit of all, if I may say, is not the



industrial benefit, as crucial as that is. It is the security benefit to the whole of United Kingdom, of which Northern Ireland is an absolutely essential, critical part.

Q80 Chair: I entirely agree with your priorities, but it is important to get people to stop thinking about increased defence spending as always being a one-way street, which means Government shelling out and there being no benefit. The benefits are huge. There is increased revenue. There is increased tax revenue. There are increased skills and productivity in terms of jobs, and increased wages. There is more revenue for Government.

James Cartlidge: I absolutely agree. Just to be clear, we want to see this country benefiting as much as possible industrially from more defence spending and from the whole budget. All other things being equal—I am probably going to use this phrase a fair bit today—Northern Ireland, when spending rises, should benefit from that, along with other parts of the country.

What is really crucial is that it is not just the amount, but the value for taxpayers' money. It is the quality. Ultimately, it is the capability advantage that it delivers. That is why we are spending it. We are spending it to defend the country and to give ourselves the ability to deter our adversaries by having superior capability.

When you look at Northern Ireland and the sort of work that I have just spoken about, the cyber capability and capacity that it has, particularly the links with universities, and the strength that it has in aerospace and space, it is well placed to take advantage of that. What really matters is having that very close relationship between industry and defence. That is the key to it.

As you know, I have introduced a new procurement model, called the integrated procurement model. A key part of that is integration, as in Government working closely with the defence industry. As a really good example, at the end of October this year, DBT will be hosting a defence and security export event in Northern Ireland to show SMEs how they can strengthen their position by exporting more, which is a key part of that industrial resilience.

Q81 Sir Robert Goodwill: You mentioned the conflict in Ukraine and the spotlight that is being shone on some weapon systems that have been particularly effective. I am thinking about the Starstreak and particularly the Saab NLAW shoulder-launched anti-tank missile. There is a big monument of scrap metal in Kyiv showing how effective that was. Has that focused the Government's attention on the importance of that particular facility at Thales? You spoke about all other things being equal, but what we saw on Monday at Thales certainly showed how unequal we were, in a positive way, in terms of the capacity and the capabilities that could come from that particular plant.



James Cartlidge: This is an excellent and very timely point. Like you, I visited the factory this month. I had a really in-depth discussion with staff, apprentices and management. The point that you make is absolutely spot-on. It is one that I have made several times in the Chamber, particularly to questions from a Northern Ireland MP who is, shall we say, very diligent in his questioning of Ministers, particularly towards, for some reason, the end of UQs and statements. I have never quite understood that, but you know who I am talking about.

Sir Robert Goodwill: It would not be the Member for Strangford, by any chance, would it?

James Cartlidge: It might be.

Chair: Sadly, he is not with us today.

James Cartlidge: That is a shame, but he is very persistent in talking about the importance of defence in Northern Ireland. I have remarked to him several times on how proud the country should be of what has been achieved from that plant in delivering extraordinary capability into Ukraine. Some years ago, there were export deals from Belfast that, essentially, kept that demand going at the site. Today, there is huge international interest in these munitions. As has been confirmed publicly, we provided NLAW to Ukraine before the invasion, and everyone knows the role that it played when that first column came towards Kyiv at the start of the invasion. One can speculate, therefore, on its military role as being incredibly important.

You are also right about LMM and Starstreak. These are highly capable weapons produced by local hands in Northern Ireland. It is a very important, proud story. We are keen to work with Thales to do more of that in order to ensure that it is supporting local skills, but also, in particular, taking advantage of the international market. I am very passionate about the role of export in defence, because it is a way of strengthening our allies as well as ensuring that long-term aggregate demand, which is how you keep industrial resilience.

Q82 **Sir Robert Goodwill:** The other area in which we saw that Northern Ireland has a distinct advantage and could, therefore, take more benefit from ramping up to 2.5% of defence spending is cyber. We visited Queen's University in particular to see some of the great work that is done there. We heard about the vocational standards and levels that young people in Northern Ireland have. Something that we do not talk very much about but probably should is cyber-offensive, rather than just cyber-defensive. Would you suggest that, as we ramp up spending, Northern Ireland is a very good place in which to invest in cyber?

James Cartlidge: There is probably a good reason why we do not talk an awful lot about our offensive cyber capability, as you can appreciate, but it is an excellent question.



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I would just reflect on your point about the quality of education. When I had that roundtable in Larne with SMEs from Northern Ireland, they all spoke about how the Northern Ireland education system was extremely good at producing people with good STEM and vocational skills. It was something that we all remarked on as being very striking. That is very positive.

I will turn to Barney to give you a bit more detail about some of the work that we are doing to encourage the strong cyber grassroots that there are in Northern Ireland.

Barney Kistruck: The cyber sector in Northern Ireland is a real success story. It has not only attracted substantial UK interest but is a very substantial recipient of US foreign direct investment, which is a testament to the leading capabilities that it has.

We should also be looking at the cyber sector, and thinking about how we can learn lessons from the way in which cyber in Northern Ireland has been so successful and apply that to other sectors, in terms of how we partner between industry and academia or how we grow STEM skills through apprenticeship programmes. There is a bunch of lessons around how the cyber programmes in Northern Ireland have been so successful that we should be taking away, learning from and implementing in other areas of the sector.

Q83 Sir Robert Goodwill: We had a roundtable with apprentices at Thales, and this point was made to us: "If you give us the orders, we will have no trouble recruiting and training apprentices. There is a great pool of talent out there". The point was made that they are motivated people who are keen to get into this industry. Because of the lack of diversity among the population there in terms of some very sensitive jobs, it may be easier to recruit there than where you have large numbers of people who were not born here in the UK. Would you see that as another advantage of Northern Ireland?

Barney Kistruck: We have the ability to tap the skilled workforce that is available in Northern Ireland. Working on the most sensitive projects requires people to be British nationals and to be able to acquire high levels of security clearance. That requires a level of residency in the United Kingdom for an extended period of time, so that is certainly a factor in being able to grow the sector in Northern Ireland.

Q84 Carla Lockhart: Thank you, Minister, for coming before the Committee today. My first question is around the recent *Defending Britain* publication, which states that the Government will "work to establish defence regional partnerships". What will these look like and will you be looking to establish a partnership in Northern Ireland?

James Cartlidge: It is something that we are definitely considering. You referred to the *Safeguarding the Union* proposals that we published earlier in the year. As you know, this includes a commitment to a review



of defence in Northern Ireland. The most positive aim within that, as I see it, because it is so important, is ultimately about promoting defence more. This is not just about investment internally or externally. It is about saying to the population as a whole, "This is an area of the economy that offers amazing opportunity".

We are considering that at the moment, but, if I may say, my observation is that what really matters here is, if you like, that private sector engagement. We heard from Barney about the US inward investment success in cyber, which is really positive. Northern Ireland is proving that it can attract investment. That is what really makes the difference.

If I go back to Mr Goodwill's question, there is going to be the demand, for negative reasons, if we are honest, on the defence sector for some time to come. Countries other than the UK are increasing their GDP spend on defence. Poland is going to 4%. We are seeing huge interest internationally, and Thales is very much in that. When I go to big export trade fairs in major markets, there is a lot of interest in Thales. Although what Government do is important, and we are absolutely committed under our *Safeguarding the Union* promises to deliver that and the review, the most important thing is firing up investment from the private sector.

Finally, the point that I always make is that, in our sector, there is this phrase called the "demand signal", which is what companies want to see from Government; i.e. they want to wait until there is a definitive order before they invest. What I always challenge them on is that, if they want a demand signal, I want a supply signal. That means proactively investing in skills and apprenticeships.

We are seeing that now, but it is about saying to the defence sector, to investors and to dual-use companies that may not yet be actively invested in defence that, when you look at the extraordinary opportunity that there now is in growth in global investment in defence, we should be taking advantage of that, and Northern Ireland is very well placed to do so.

Q85 Carla Lockhart: Northern Ireland is absolutely well placed. You can see that very evidently on the ground in terms of the companies that we have visited. When we spoke with many of them, there was a very clear number of needs identified from a Government perspective, because, at the end of the day, these companies cannot just invest on a whim. One of the SMEs in the group that we met talked about a slow drumbeat of requests for certain items. They find very much that the Government will say, "We need 1,000 of these," but there is no long-term vision. That would be a point that is important that we make.

You talk about promoting the defence industry around the United Kingdom. I would say that Northern Ireland has been missing from that promotion. We heard from the businesses we spoke with that there is a



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lack of, say, roadshows in Northern Ireland. There is a lack of ability for businesses to find out and hear about what is coming on to the market in terms of procurement, etc.

What are the plans around a hub being developed in Northern Ireland to help better co-ordinate that strategic, long-term and sustainable investment into Northern Ireland?

James Cartlidge: These are all very good questions. I am going to bring in Barney in a minute on some of the specifics, particularly on DASA, which is really important.

There are several parts to this. In terms of very formative start-up proposals, we have something called DASA, or the Defence and Security Accelerator, which provides funds to new ideas to ensure that they get through what we euphemistically call the valley of death, where start-up ideas are born but never turn into something that is developed.

When the Prime Minister made his 2.5% speech, he was very clear that we want to have more of the stuff that we spend R&D on turned into capability used by the Armed Forces or exported to our allies. That is important, and Barney is going to talk about how DASA works in Northern Ireland. We have spent something like £2.7 million on about 14 projects, but it is about how we engage the presence that we have out there.

You made a really important point, which all SMEs make, and I totally understand this. I ran an SME. It was not in defence, but I understand how they feel. They want to know that there is a long-term pipeline that they can know about and that can give them the security of being able to plan and invest. I totally understand that, and we want to do that as far as possible.

I would say that there are two key factors. That is why export is so important, because the UK market will never be big enough to sustain all the current businesses all of the time. There just is not sufficient demand. I have met a number of SMEs, including in Northern Ireland, which have successful export operations. It is difficult, but it is one of those areas where, once you get a toehold, you can then grow on it. For some of the SMEs that I have met and that are very successful, 90% of their revenue is export, which makes them much more sustainable.

We will be holding 15 significant trade shows abroad or in the UK in the next financial year. They will be in key markets or, next year, at DSEI, et cetera. We are absolutely promoting Northern Ireland businesses at those events. As I said, I have been to key markets abroad. I have been to defence shows in Turkey, the Czech Republic, Saudi Arabia and Qatar, where we are absolutely promoting not only Northern Ireland companies but all UK defence companies. That is really important.

The confirmation of going to 2.5% with a funded plan also sends a signal that there will be more work available. Of course, you can never guarantee that specific companies will win it, because we have



procurement processes. Therefore, how do they have the transparency that they want? How can they have sight of that? There are two really important steps. The first is the Procurement Act that is coming in. Certain legislative changes will make it easier to share the advanced look of our forward planning and requirements, and will also enable greater early-stage engagement with business.

In our new procurement model, there are five key parts. The fourth is a much deeper relationship with industry to drive innovation. I want to see more and more engagement at “secret” with industry. There is a reason why it is at “secret”, and I will give you a very inspiring example. It was not a Northern Ireland company, but, just to highlight the point, it was a UK SME providing a drone into Ukraine. I went to see them, and they were getting feedback from the front line, ultimately from MoD, which enabled them to spirally develop that product, so it returned to Ukraine to remain competitive.

To me, that was a version of procurement that I had never seen before, given that it is normally quite slow and ponderous. That is why engaging at “secret” is important. There are limitations on how easily we can do that outside MoD main building, for reasons that you can imagine. We are going to do our first event outside London, in Portsmouth, in July, but that is because, Portsmouth being a major naval base, it is easier to hold something at “secret”. I want to hold those sorts of events over time all over the UK, including Northern Ireland. It is just that it is practically challenging, but I absolutely want to do that.

I held an SME forum there myself. You heard that we are going to have the October event about exports in Northern Ireland. I do want to give greater sight of the forward order book and requirements, if you like, and we are doing a lot in that space. Barney will talk about DASA and how it physically engages with Northern Ireland.

Q86 Carla Lockhart: Just before that, what about the hub? That is certainly something that everyone has agreed on and feels would be really beneficial to Northern Ireland.

James Cartlidge: That is what I was going to bring in Barney on.

Barney Kistruck: We absolutely need to make sure that we are supporting businesses in Northern Ireland in an appropriate way. The Minister mentioned the UKDSE event later in the year. There is a DASA person who provides support to Northern Irish businesses now. The Minister mentioned the £2.2 million that has been spent through that project.

There are a range of other things that we need to do to ensure that we are connecting Northern Irish businesses with the support that is available. The defence technology exploitation programme has given grants. We are working with industry and with academic partners to establish a regional defence and security cluster, which will enable us to



bring together both those that are currently in the sector and those that wish to enter the sector in the future, to ensure that we are providing appropriate support to businesses.

The Minister alluded earlier to the work that the Government are committed to doing on strengthening the defence industry's role in Northern Ireland through a review. That is probably the mechanism through which we assess the most appropriate and the most effective interventions that we can make, over and above what is currently in place, to support those businesses.

Q87 Carla Lockhart: When will the review take place?

Barney Kistruck: The expectation is that it will be launched before summer recess. Subject to progress on that, we will report to the Defence Secretary in 2025.

James Cartlidge: I appreciate that you are keen to see that. There is a limit to how quickly we can do these things, but I just want to emphasise that, if you are talking about a hub, we already have incredible things happening in defence in Northern Ireland. We are talking about, in Belfast, a company that has provided arguably the most decisive munition in the early stage of the first conflict in Europe involving an alpha military peer since 1945, the country with the world's largest nuclear arsenal, as far as we are aware. That is a pretty decisive role for the defence industry.

Around that, look at the potential in cyber and what I have referred to in terms of novel weapons, with the excellent feedback that we have had about the quality of people coming out of schools and colleges in Northern Ireland, the investment in shipbuilding and so on. We already have the makings of that, and Northern Ireland is really well placed to take advantage of more private investment.

If I talk about SMEs, I recently visited the RCO, which is part of the Royal Air Force. It is working with KX, which is a Northern Ireland defence SME working on AI in a really interesting, deployable way. I cannot talk about a huge amount of it, but it really makes a difference. It is one of the good ways in which AI can really support defence, and this is a Northern Ireland start-up at the heart of that.

They are not waiting for a hub. That does not mean that it is not important and that the review is not really significant in terms of what it says about the Government's commitment politically to defence in Northern Ireland, but we do not have to wait for that. There is already a huge amount of potential. We want to get more investment into defence.

I will just make one final point, if I may, which is a frustration for me. There has been a limitation on investment in the whole of the UK through something called ESG. These are rules under which, for example, some funds have chosen not to invest in defence because it is seen as, to put it



bluntly, not as morally worthy as some things. What we have learned about Ukraine is that you need a defence industry to have peace, which, by the way, is the number one goal of the UN sustainable development charter. To be honest, if we can all communicate that message to drive up investment into defence per se, that will benefit every part of the UK as well.

Q88 Stephen Farry: Good morning. Just picking up on a few of the previous questions first before coming to some of my own questions, Minister, you just talked about the need for preparation. One comment that has been made to us by Thales in particular, although you no doubt hear this across the UK, is in terms of managing supply and demand at times. Thales will get requests for a lot of missiles and launchers in very short order, then it goes quiet for a bit and then it peaks. How can you better level that process out so that companies can better manage what they are doing in a more efficient way?

James Cartlidge: That is an excellent question that speaks to one of our key priorities. I absolutely mean that. I made my statement on 28 February to launch our integrated procurement model. I said that one of the first real goals of that was what we call always-on production. To a very techie procurement audience, this is like the nirvana.

If you can achieve always-on production, it means that, rather than saying, as a Government, "We have to spend this amount to have a huge stockpile, which means that our Armed Forces can theoretically survive for many months firing at a rapid rate at NATO standard," or whatever, which is potentially a very inefficient use of public money, particularly when there will be lots of international demand for that in the interim, it is about getting to a level of UK-driven demand that, when you add in export and international, enables a thriving supply chain, so that, should you have what we might call a more bellicose environment or more heightened military tension, you can increase your order.

Northern Ireland is so relevant to this point, which I have made in a number of speeches on procurement. I always go back to the point that, metaphorically, after the invasion of Ukraine, someone at MoD picked up the phone to Thales in Northern Ireland and asked, "Can we have some more LMM, Starstreak or whatever?" and they said, "Sure, if you are happy to wait a few years, because we have not made these things for a while". It is so illustrative of this very point.

The ideal scenario is to get to strong orders from UK MoD, while, equally, adding in export and driving up the aggregate demand, so that you have always-on production. That is absolutely a goal, and I do think that we can achieve that.

Q89 Stephen Farry: Building slightly on Carla's point around the hub, I am very conscious that the brigadier is with us, whose title is the commander for Scotland and Northern Ireland. One of the things that we often hear is that Northern Ireland is seen as an appendage rather than as an entity in



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its own right. In many considerations, it is Scotland and Northern Ireland, so we are the “and” bit. Perhaps we would advocate that Northern Ireland stands on its own feet. I appreciate that we are slightly smaller in size than Scotland, but that would give a lot more confidence that Northern Ireland is being seen and regarded in its own right.

James Cartlidge: I hope that I have shown that I am absolutely positive about the potential for Northern Ireland to benefit massively from the defence industry and from the growth in defence spending. On this operational description in relation to Scotland and Northern Ireland, I will hand over to the brigadier.

Andrew Muddiman: I am the naval regional commander for Scotland and Northern Ireland. As you know, the Royal Navy has a very small regular footprint in Northern Ireland. The title really reflects the fact that my headquarters is in Scotland, but I spend, I would suggest, a disproportionate amount of my time in Northern Ireland precisely because of the defence industry considerations and the complete criticality of those to the Royal Navy’s output.

We might have only four regular personnel stationed in Northern Ireland, but the defence industrial relevance of it to the Navy is disproportionate. The premise of the question could be a little bit misleading if one was to infer that Northern Ireland was just a bit part of my job. It is a major part of my job.

Q90 **Stephen Farry:** To be very clear, this was not in any way a reference to you. You had the misfortune of being introduced today as Scotland and Northern Ireland, but we hear it in other realms in terms of how the MoD approaches Northern Ireland. It was a general point rather than something that was very specific to your good self in that particular regard.

Could I turn to the *Safeguarding the Union* Command Paper and talk about, first of all, the timing of the review, and then perhaps a very particular question where the Command Paper refers to untapped resources in Northern Ireland in terms of defence procurement? Could you expand on what that line potentially means?

James Cartlidge: Barney answered the point on timing.

Q91 **Stephen Farry:** Page 75 of the Command Paper has the heading “Strengthening defence industries”, which starts by saying, “Recognising the untapped resources available to the defence industry in Northern Ireland, the Government is committed to”—

James Cartlidge: I am really sorry, but are you saying “untapped” or “on tap”?

Stephen Farry: “Untapped”.

James Cartlidge: My apologies. I have no doubt that there are untapped resources. Northern Ireland has massive potential. In many cases, it is



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not about potential. It is already delivering. We have gone through that, but it certainly can do more. As I said, the review is really important. As you say, it comes from our *Safeguarding the Union* Command Paper. It is a real way of looking at how we work institutionally through defence. What is absolutely true is that defence will always be a very political—with a small “p”—Government-dominated area, for obvious reasons. It is the only area where Government will always have a monopoly. If not, something is probably going wrong. It is absolutely a highly Government-dominated area of industry.

That notwithstanding, take the example of dual-use companies. I am happy to admit that, across the UK, we still do not do enough to appeal to those companies that are in a potentially dual-use technology, but have not really thought about defence. I am looking at ways that we can address that. We hold our AI Fest, where we get companies that are not necessarily developing for defence to see if their application could have a dual use.

When you think of the technology base in Northern Ireland, there will be businesses there that have potential defence relevance but may not know it. One of the companies in which we have invested in Northern Ireland through DASA is called Kistruck—[*Interruption*]. Is that your surname?

Barney Kistruck: Yes.

James Cartlidge: My apologies. The name of that company is very similar to your surname.

Barney Kistruck: Yes, it is.

James Cartlidge: Let me just double-check. Is it Kintetsu?

Barney Kistruck: Yes.

James Cartlidge: It attended my roundtable in Larne, I am pleased to say. I do not know whether that technology has a dual-use application, but that is where there is a huge amount of untapped potential.

Barney Kistruck: I was not in post at the point at which the command paper was published, but in my interpretation that “untapped resource” is about skills, workforce and the SME environment. It is about the fact that the conditions in Northern Ireland in terms of the workforce and the business environment that are already there mean that there is the potential, with appropriate support.

That goes for a whole bunch of things, not just for Northern Ireland, but how the MoD deals with small and medium-sized enterprises in general, and the understanding that we have of the supply chain to make full and effective use of that, in a way that has happened in the cyber sector, as we spoke about earlier. There is probably more that we can do in the broader defence sector.



Q92 Stephen Farry: My final question is largely around cultural perceptions of Northern Ireland. We have the legacy of the Troubles, which were very real for people who served in the various services during that time. Is there still a hangover to a certain extent? We have heard from some SMEs and others in Northern Ireland that the MoD still sees Northern Ireland as a place apart. It is not as normal as Great Britain would be. When people go there, they are still briefed about being a bit more careful. There is still an ongoing terrorist threat, but, for someone in a suit, it is perfectly normal to be doing business.

At the same time, to what extent are there delays in terms of security clearance, which creates additional bureaucracy and barriers for Northern Ireland companies? Do we have figures that might give us comfort that it is no worse or better than any other part of the UK, or are we seeing a situation where getting security clearance for companies and personnel to operate in certain sensitive areas is a little slower?

James Cartlidge: I am going to turn to my loyal wingman, if I may, brigadier, first of all on the perception of Northern Ireland in the forces, and then I think that we do have some stats on vetting and so on.

Andrew Muddiman: Northern Ireland, from a joint military perspective across all the services, is on a pathway towards what we call normalisation, i.e. normalising the military relationship with the civil populace. Clearly, everybody in this room is aware that there are constraints and limitations to the extent that that could replicate another area on GB mainland. At the moment, there are clearly barriers to how far that can go, and that is a matter for the security services, which regularly review the posture that we adopt.

Speaking on behalf of the joint military commander for Northern Ireland, he is as keen as anybody to see that normalisation progress, and we have made several attempts over the past two years to keep pushing that in the direction that you are alluding to, but there are real-life restraints on that and real-life events that have got in the way of the trajectory going quite how we would like it to. That is probably the most correct answer that I can give in terms of our profile.

However, that said, I have never found it a physical barrier to me to get over to Northern Ireland and to get out and about on the ground. Certainly, it has never been an impediment to me visiting a defence company, which I do very regularly, and it has never been an impediment to having a conversation about a capability, a dual-use technology or anything else. There is a lot of that that happens completely regardless of any security concerns, so I would definitely give you that reassurance.

Could you just repeat the second part of the question?

Q93 Stephen Farry: It was around security vetting.

James Cartlidge: I was going to ask Barney.



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Barney Kistruck: I do not have Northern Ireland-specific vetting figures to hand. There has been a challenge with the vetting process in general across the United Kingdom. We have recovered that to a very great extent and are now meeting 95% of new high-level security clearance processing on time. I am genuinely not sure if it is possible to break that down by region, but I am very happy to go away and write to the Committee if we can provide further information.

Stephen Farry: If you could get back to us, I would appreciate that.

- Q94 **Damian Collins:** I wonder if I could just go back to Harland & Wolff, if I may. The finance that it would seem that Harland & Wolff is seeking is to invest in its shipyard in order to fulfil the contract that it has taken out with the Government. What assessment was made as part of the procurement decision to award the contract as to whether Harland & Wolff had the resources it needed to fulfil it?

James Cartlidge: This is commercially sensitive, and I am afraid that I am not prepared to discuss it.

- Q95 **Damian Collins:** I am not asking you about the loan. I do not think that it is commercially sensitive. I am just asking about your contingency planning. When the decision to award the contract was made, there must have been some consideration of the suitability of that contract.

James Cartlidge: Even if I was able to talk about the earlier part, that specific question would still be commercially sensitive. The point is that, in the context we are in, where there is speculation about commercial sensitivities, I am not prepared to go into further detail.

- Q96 **Damian Collins:** I presume that it would be fair to say that the MoD did not have any concerns when the contract was awarded.

James Cartlidge: As I say, that is clearly commercially sensitive.

- Q97 **Damian Collins:** The alternative would be that it would be surprising if a contract was awarded to a company that you did not think could fulfil it.

James Cartlidge: It is a matter of record that we awarded the contract at the time. What I said earlier, and I repeat again, is that we are absolutely committed to delivering the FSS contract. It is a high priority to have these three solid support ships. When you are in a situation such as this, where there is speculation swirling around, it is not helpful for a Minister to comment.

- Q98 **Damian Collins:** These loan negotiations have, apparently, been going on for six months or more without resolution. If there is not a resolution, regardless of what the commercial implications of that are for Harland & Wolff, at what point do you start to have concerns about whether the contract will be fulfilled within the timescale that was envisaged?

James Cartlidge: What I can say, as I said earlier, is that we are committed to delivering the FSS contract and to doing so on time, on schedule, and on budget.



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Q99 **Damian Collins:** So, at the moment, this has not caused you to reflect on those timelines.

James Cartlidge: You have been a Minister and you know how it works. I am not going to say anything that would potentially provide inference in relation to current speculation. Therefore, it would not be appropriate for me to specifically answer that.

Q100 **Damian Collins:** It is reasonable to ask you, given your responsibilities, whether you or your officials are making contingency plans in case there is a problem here. When the contract was awarded to Harland & Wolff, it was considered existential and a key driver of the renaissance of shipbuilding in the UK, but also a contract that would guarantee the survival of that shipyard. Is your department making plans for looking for alternative suppliers if this contract cannot be fulfilled?

James Cartlidge: I am going to treat each member of the Committee fairly and equally, and repeat the point that I cannot comment on those matters because of the current commercial speculation.

Q101 **Damian Collins:** These are separate to the commercial negotiations, because, regardless of what the outcome of those negotiations is, we are not in a position to know what the consequence is for that company, and it would be wrong for us to speculate. It is reasonable to ask you what contingency planning you have to ensure that the contracts that you have placed are fulfilled, because, ultimately, your responsibility is not for the Harland & Wolff shipyard but to make sure that the Navy has the ships that it needs.

James Cartlidge: As I said, we are committed to delivering the FSS contract and delivering those three ships to the Navy.

Q102 **Damian Collins:** We will have to leave that where it is, but there is a legitimate concern as to how that contract will be fulfilled if this speculation continues. There must come a point where the decision has to be made. If the decision goes against the shipyard, it is reasonable to ask what the consequences are not just for that yard but also for the MoD in its desire to make sure that the contract is fulfilled.

James Cartlidge: These are market-sensitive matters, and I am afraid that I am not going to comment further.

Q103 **Damian Collins:** You used the term “industrial resilience” earlier on. Where does the UK stand in terms of its resilience and being able to build ships that the Navy needs if that capability in Northern Ireland is lost?

James Cartlidge: Again, you are trying to bring in the current speculation around the position of Harland & Wolff, which I am not going to comment on. If there is a general question about wider UK shipbuilding, we have a very successful story to tell about the National Shipbuilding Office and the way in which we have delivered orders benefiting every part of the country, right across the union, and driving international demand as well.



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As I confirmed at oral questions this week, if you take all of the orders that are currently extant internationally into UK shipyards, we arguably have, particularly because of AUKUS, the largest order book by value for naval exports.

Q104 Damian Collins: I am not going to ask about it again, but the question hangs there, because the implications are wider than the implications for that business. This was held up as a flagship project and contract by the National Shipbuilding Office when it was awarded.

I just wanted to ask briefly about defence spending in Northern Ireland. You mentioned the very substantial increase. What proportion of that is due to the orders for the NLAW rockets from Thales?

James Cartlidge: I would imagine that a significant part of it is. One of the issues with Northern Ireland in terms of that spending is that it has only one major prime. Spirit AeroSystems contributes to aerospace, and there are some other significant businesses, but it is the only major prime, I would say. Therefore, there will be volatility linked to its income stream, but the good news is that that has been positive very recently, although for negative reasons, which ultimately arise from the invasion.

Q105 Damian Collins: In terms of the resilience of the supply chain needed to fulfil those contracts, demand is extremely high at the moment. We may reach a point where, for good reasons, demand is not quite as significant as it is. Will the capability that they have be met by other overseas contracts, or what support can you give to that business in thinking of its future planning?

James Cartlidge: We do not have to speculate. First of all, I go back to the point that I made to Mr Farry around always-on production, which is our goal.

When I was visiting the plant, we were talking about how, previously, we had what we thought was “peace”, relatively speaking—although, at any given time, there is conflict in the world—in terms of not having the war on our doorsteps in eastern Europe, as it were. While Thales was not overly reliant, it did need orders that came through particularly from south-east Asia, which, interestingly, helped it to develop its product base and to develop some of the products that we now know today. To me, that is an absolutely crystallised example of the importance of export.

You asked about resilience. We are undertaking a fundamental reform of procurement. People will say to me, “Minister, we have heard it many times before,” but one area where this will leave a lasting impact, if it is effectively delivered and maintained in MoD, is that, when I became Procurement Minister, I was really struck by, to put it bluntly, how there was simply not sufficient consideration given to export when setting out those requirements early on in procurement. It was a bit of an afterthought, if I may say.



I do not say that critically. It is just that the disposition then was primarily focused on acquiring the military capability, whereas everyone has now learned that, if you do not have export to give you resilient supply chains, there is a real risk to your supply chain in the interim. This is something that the French have known for a long time—and Israel, to a certain extent—which is why they prioritise export so importantly.

The change that I want to see in place is that, when we consider significant programmes—or smaller ones, for that matter—right from the beginning, when that first document comes into Ministers, it tells you what the export potential is. That gives you two key advantages. The first one is that you can start an export campaign there and then. It takes countries many years to order major defence items, and the earlier you can get in and start marketing, the better.

The second one is that a big failing in procurement, perhaps perceptive, although there are examples where this has been true, is what we call the overly exquisite requirement setting. I am certain that, if you have to show that you are considering international demand, that is a bit of a safety valve against being overly exquisite. The chances are that there will be a trade-off between having something that is perfect for the UK and something that you can market more internationally. That is a really good change and, if we can implement that effectively through governance and so on, it will have a real impact.

Q106 Damian Collins: You have said today, as did the Secretary of State for Defence when he made the announcement about the increase to 2.5%, that you cannot just turn on that capability. You have to plan for it. What would your message be to the defence sector in Northern Ireland about what it can do to make itself attractive to benefit from that increased investment?

James Cartlidge: I used the phrase “supply signal”, which is this idea that, as is normal in non-defence businesses, you have natural animal spirits of entrepreneurialism to seize opportunities, to invest, and to take some risk. It is harder in defence, because those companies will say to me, “But, Minister, how do we know that you are going to buy it?”

We know that, at this moment, there is a wall of demand out there internationally. This country’s brand is almost second to none in terms of its Armed Forces internationally. When we procure something, there will be other countries that will certainly consider it, if not go on to procure it. I would just take advantage of that opportunity.

I know that it is not easy for SME startups. That is why we have DASA. We have the support that we give to those. One area that we need to improve is ensuring that, when we make R&D investments or we support those early startups, as the Prime Minister said in that speech, more of those early investments become pulled-through success stories.



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I go back to those SMEs that were at my roundtable in Larne. Kinsetsu, which is the one that I was talking about, is providing a tracking locator solution. That is dual use. That is used on the carrier, but it is clearly dual use. We had a company called Brolis, which makes dismounted soldier systems. These are rifle scopes optics.

Notwithstanding that I cannot say specifically that they will have everything that every other country requires, that sort of materiel is, generally speaking, in demand at the moment. That underlines why my message to business is, "Seize the day and we will support you". That is why we are having the export trade fair in October.

Q107 **Claire Hanna:** I wanted to come back to SMEs as well. I know that you touched on, in your responses to Carla, some of the proposals that the Committee had heard from SMEs. The key figure, or the one that jumps out, is the fact that only 0.15% of MoD's total spend with SMEs has been in Northern Ireland. How do you account for that?

James Cartlidge: This is a difficult one to measure, because the most recent official figure is £2 million. Whether you think that what we spend in Northern Ireland is significant or not, it is clearly vastly more than that. It reflects the fact that you have one major prime, and the payments go to the prime and then down the supply chain. Relatively speaking, there is not much by way of direct payment from MoD to SMEs.

There are one or two significant second-order companies. Spirit is a good example. That will be the prime reason why that is the case, but it does not mean that we would not want it to be more. I am not trying to pretend that I do not want it to be higher.

Q108 **Claire Hanna:** Across the board, your target was 25% of procurement directly or indirectly to SMEs. Was that target met?

James Cartlidge: It does say "or indirectly". That is why it is difficult to measure.

Q109 **Claire Hanna:** It is difficult to measure. Do you have any data on indirect impact in the supply chain? Are spillover benefits to SMEs something that you capture?

Barney Kistruck: This is a very difficult thing to measure. We have done a lot of work.

Q110 **Claire Hanna:** I am asking because there are targets for it. I appreciate that these are always difficult things, but you have named the targets.

Barney Kistruck: We have done a lot of work to enhance the visibility that we have in the supply chain and how money is flowing down the supply chain, but I could not sit here and say in good conscience to the Committee that we have full visibility of that at this stage.

James Cartlidge: According to the brief that I have in front of me, indirect spend across the UK accounts for around three quarters of our



business with SMEs, although one should not infer an absolute figure from that, because we do not have the actual figures.

Q111 **Claire Hanna:** You have suppliers' forums and SME working groups. What representation is there from Northern Ireland on those?

James Cartlidge: We certainly have representation. On the defence suppliers' forum, we have representation from Thales for certain. Because of the importance of skills, we have two Northern Ireland representatives on our shipbuilding skills delivery group.

As I said earlier, it is really significant that we have made the promise that we have in relation to the review. That will be a substantive opportunity to look at things like hubs and how we work in terms of engagement, et cetera.

I would just emphasise that what really matters is that the demand signal internationally and from the UK is strong at the moment. I fear that that is likely to be sustained. When you look at the potential that Northern Ireland has, in terms of its cyber base and aerospace, obviously Thales but also other companies that feed into that supply chain, it is well placed to take advantage of that.

As I say, I have met SMEs. It is not just those that I met that day. I was referring to KX. There are companies that have that get-up-and-go and are seizing opportunities. They are winning investment from America and so on. My key point would be that there is no reason for that entrepreneurial activity to have to wait.

Q112 **Chair:** Thank you very much. I just want to come back to FSS. We have heard your answers. Is it your absolute ambition to make sure that the construction of FSS begins in 2025?

James Cartlidge: Yes. The plan is that construction of FSS will start next year.

Q113 **Chair:** I have one final question about skills. How much work is being done between your department, the Department for the Economy and the Executive in Stormont?

James Cartlidge: We engage a lot at an official level, but the brigadier wanted to come in on that.

Andrew Muddiman: I can help you with that. The Royal Navy has a maritime enterprise programme. We are really in that business to promote a more efficient non-commercial relationship. That is not the commercial relationship between DE&S and defence providers, but between the Navy, which owns the requirement, and the downstream defence industry, which are SMEs as well as, to a lesser extent, the primes.

We have been operating in Northern Ireland in that capacity for about two to two and a half years. We have direct dealings with the Northern



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Ireland Executive's arms-length bodies for that, Invest NI in particular. One of the major results that we have had from that programme in Northern Ireland has been the cluster development that we have achieved through NIMO, of which we have been a key exponent. Northern Ireland now has its own maritime and offshore cluster, which is really centred on gluing together the entirety of the maritime sector around Belfast harbour, with interests not only in e-ferries but also going right out to offshore work.

The skills aspect to that has been fundamental. We have done a lot of work with the Northern Ireland Executive for that particular purpose. We continue to work with Invest NI to deepen the relationship between the college sector in Northern Ireland and key defence suppliers. We will continue to do that because there is lots more to do there to try to consolidate that pipeline.

Skills is the main touchpoint there, not just with the Executive but at local level, with Belfast City Council and with colleges all over Northern Ireland. It is the NIE and its arms-length bodies, and then it is local authorities, going deeper into the system.

Q114 **Chair:** Are you working with colleges to, in effect, get them to design courses and curricula for the supply chain?

Andrew Muddiman: That is exactly what we are doing. We are doing that because there is best practice in that area all over the UK, in other parts of the national shipbuilding strategy. In Belfast, we know that we need that, and there is a great desire on the part of those colleges to know more about the exact technical requirements that come out of certain defence outputs. There is a level of liaison. We call it connect, collaborate, deliver. That is the mantra of the maritime enterprise scheme, and that is what we are doing in the background all the time.

Chair: That is the untapped potential to go back to in the Command Paper. Thank you very much indeed to the witnesses for giving evidence this morning, and thank you to colleagues for questions.