

Defence Committee

Oral evidence: AUKUS, HC 841

Tuesday 9 September 2025

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Members present: Mr Tanmanjeet Singh Dhesi (Chair); Mr Calvin Bailey; Jesse Norman; Ian Roome; Michelle Scrogg; Fred Thomas.

Questions 1-41

Witnesses

I: Sophia Gaston, Senior Research Fellow at Centre for Statecraft and National Security, King's College London, and Dr Sidharth Kaushal, Senior Research Fellow, Royal United Services Institute.

Examination of Witnesses

Witnesses: Sophia Gaston, and Dr Sidharth Kaushal.

Chair: This is the first public evidence session of the Defence Committee inquiry into AUKUS. It gives me great pleasure to welcome our two panellists: first, Sophia Gaston, Senior Research Fellow at the Centre for Statecraft and National Security, King's College London—a very warm welcome to you. We also have with us Dr Sidharth Kaushal, Senior Research Fellow at the Royal United Services Institute, or RUSI. It is wonderful to have you both here. Without further ado, let us get straight into the questions.

Q1 **Fred Thomas:** Good morning to you both, and thank you for joining us. I want to start by asking about geopolitical considerations, noting that AUKUS has been around as a concept for a long time and as an agreement for a number of years now. In that time, there have been changes of Government within the three countries in the agreement. We need to discuss what that means.

In the UK and US, there have been recent changes of approach to AUKUS. I would like to get your views on that in a second, but I also want to talk about larger geopolitics—China and Taiwan, and the full-scale invasion of Ukraine. What is the effect of those?

As always happens, you will want to make opening statements as well. I come to you first, Sophia, to get a general response and then I will come to you, Sid, to ask specifically about the geopolitics: Ukraine, China-Taiwan and what that means for the wider sketch. I will then come back to ask about some of the domestic politics—we are all particularly interested in the Colby review and any comments on that.

Sophia Gaston: Thank you very much for having me; it is a great pleasure to be giving evidence on AUKUS. We are four years into it now, and this inquiry is timely and urgent.

The first thing to say is that AUKUS is a political project that was designed to address geopolitical challenges and, because of that, both the geopolitical and the political have to be given some degree of weight. The developments in both those arenas profoundly affect the progress and outcomes of AUKUS. I will come back to the domestic in a moment, but it is fair to say from the outset that the domestic political resilience questions around this political project were profoundly underpriced at the beginning. A lot of the challenges that we are experiencing now reflect that.

The geopolitical rationale behind AUKUS has only strengthened over the past four years across three main areas. The first is that China has continued to pull ahead with its colossal military build-up. As the strategic defence review notes, we will now be fighting Chinese tech in every theatre that we operate in—certainly, that has been the experience in Ukraine. We need to reflect on how significant the threat this poses is and

how structural this is in terms of our interests, because technological, military and economic power confers profound strategic advantages. China has made no secret of its intentions to harness its power and influence to reshape and redesign the international order in ways that serve its interests, but do not necessarily serve ours. That is not a benign development.

The second geopolitical shift has been the fact that the relationship between technological power and prosperity and security has only strengthened over the past four years. Sovereign capability and advanced technologies are now vital to both economic growth and vital resilience. The third area is Russia's invasion of Ukraine, which both reflects and further enhances the deterioration of the security environment. That means that allies must think a lot more boldly and seriously about co-creation and co-development so that we can collectively amplify each other's strengths and the collective impact.

That is the geopolitical context. It speaks to the growing importance and significance of the AUKUS pact, but at the same time, the challenges surrounding the trilateral context of the pact have also increased. These issues are primarily domestic. They relate to a lack of political attention, political will, funding and so on, but also to profound domestic, social and political forces that are encouraging some leaders and Governments to prioritise sovereign capability over collective capability. We have a fundamental tension at the heart of AUKUS. Geopolitically, it has become more and more important and should be more integral as a framework for how we are thinking about our resilience moving forward, but you also have domestic political forces that are pulling in the other direction.

Q2 Fred Thomas: They say all politics is local. Thank you for that; we will come back to you. Specifically, I am personally interested in hearing more about your views on the Colby review and what the mood is in America. Sid, I will come to you for the geopolitics.

Dr Kaushal: Thank you for the question and for the invitation to speak with you today. There are a few points worth making about the geopolitics surrounding AUKUS. First, to echo what my fellow panellist said, there is a growing geopolitical imperative for collaboration on some of the capabilities covered by the pact in the medium to long term; however, in the relatively short term, there are real geopolitical trade-offs that the pact, and meeting its terms, entails. Getting past that short-term period of uncertainty will be absolutely critical.

That stems from two major considerations. The first is the two-theatre challenge. The US in many ways cannot afford to compete in more than one theatre in the way that it did during the cold war. In the Indo-Pacific, it will face a challenger in the form of China that is an economic peer and arguably an industrial superior—something that it never faced over the course of the 20th century, when the Soviet Union on its best day possessed a fraction of the US's GDP.



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In specific capability areas—for example, attack submarines—the US navy will face a trough in capability by the 2030s, as old capabilities are retired and the newer Virginia-class submarines are not built at the rate that would be needed to achieve replacement. These capabilities will be especially salient in a context where China's anti-access/area-denial bubble will make it very difficult for American surface vessels to operate within 2,000 km of the Chinese mainland.

For us in the UK, this tension, and this draw on American assets, corresponds with the growth of Russia's own Northern fleet, which will see the availability of its newer Yasen-class attack submarines grow. That programme started with very many teething errors, but the Russians are now delivering the Yasen class at a relatively rapid build rate. That will of course create a significant demand signal for the UK's own assets in the subsurface operating environment, particularly the Astute-class SSN.

The specific challenges that I see emerging in the short term from the environment that I have described are twofold. The first is that there will be serious questions, particularly given issues around the readiness of the UK's SSN fleet about whether a rotational deployment in the Indo-Pacific is viable. That of course is problematic because the short-term achievement of the submarine rotation—

Q3 Fred Thomas: A UK deployment?

Dr Kaushal: Indeed—or the UK commitment to the Submarine Rotational Force-West, which will include a UK Astute, as you know, and several American Virginias. If the deployment is not achieved, that will impact the domestic legitimacy of AUKUS in Australia for obvious reasons, but achieving it will represent a draw on resources that will be needed in the Atlantic more than ever as we reach the 2030s and as the capabilities of the Russian Northern fleet start to wax just as American SSN capability both temporarily wanes and is reconcentrated in the—

Q4 Fred Thomas: That is interesting, and it brings us back to the domestic politics in the US. This Committee visited DC not so long ago, and in the Pentagon one of the questions that we asked is, "What do you guys want to see the British do? Do you want us in the Indo-Pacific or not?" Note that our aircraft carrier was about to go there at the time. There wasn't a very clear answer, but it was basically, "We want you to take care of Europe and the High North, and we'll deal with the rest of it."

Dr Kaushal: *indicated assent.*

Q5 Fred Thomas: Thank you for your answer. I have taken up a lot of time with my questions. Could you talk specifically about the domestic situation politically in America and the Colby review—your views on that, and your expectations?

Sophia Gaston: I don't think it is surprising that the Trump Administration have undertaken a review of AUKUS. Frankly, our own Government did this when there was a change of party in power, so I do not think the existence of the review itself should be concerning. Certainly,

I think it was anticipated. It was also anticipated that Elbridge Colby himself would want to lead that review. It is an issue that he has been focusing on for some time, and has made various public and private representations on.

I think where the concern has been is around the ambiguity of the shared strategic outlook, which has always been a really crucial underpinning of AUKUS. That is partly why it was able to happen, and why those three partners were chosen: it was because we saw the world in the same way. I understand why people are concerned, because the United States is such a vital linchpin in the AUKUS pact. In the way in which it has been structured, with this balance of responsibilities, gains and outcomes between the three partners, if you have that degree of uncertainty in even one of the partners, then the whole thing feels very fragile.

Q6 Fred Thomas: What do you think is going to come out of the review, if we had to push you to make a prediction?

Sophia Gaston: It is extremely important for the Trump Administration to have political ownership of AUKUS. It has been easier in Britain and Australia, where we have had changes of party, because there was more of a bipartisan consensus around the strategic outlook. The Trump Administration needs not just strategic but political buy-in to this project, as some elements of it may be seen to be associated with the Biden Administration. I think it is fair to argue that a lot of the antecedents of AUKUS were actually planted during the first Trump Administration. It is certainly a project that can fit into the purview of the Trump Administration. It can align with an America-first foreign policy and purview. It is also a very modern and disruptive project. For all those reasons, I think the DNA of AUKUS can be adapted.

The really crucial question is whether or not we can come up with a narrative that can be bought into by the Trump Administration. There may be outcomes of this review that are substantive in policy terms, but I would also anticipate a shift in the way in which AUKUS is talked about and framed in the context of a wider geopolitical mission.

Q7 Chair: Dr Kaushal, in terms of geopolitics, the Council on Geostrategy noted that Donald Trump's unpredictable nature, his approach to foreign policy and his predilection for making deals that favour the US very heavily, rather than those that might just be deemed fair, mean that guessing his future approach to AUKUS would be extremely difficult. Is that how you view it, or do you think that everything is going to be smooth sailing for AUKUS?

Dr Kaushal: I do not think it will necessarily be smooth sailing going forwards, but I do not think the transactional approach of the Trump Administration is the most important impediment. In many ways, AUKUS—it has been criticised in Australia for this reason—is a very favourable deal, at least in financial terms, for both the US submarine industrial base and our own, although the Australians get something from it as well.

The more salient challenge is that some of the issues that Elbridge Colby has brought up predate the Trump Administration. For example, the subject of operational control—whether the US can afford to part with its Virginia-class submarines or not—was a controversy during the Biden Administration, where you had senior State Department officials hinting that it did not matter that those submarines were given to Australia, because they would be available to the US in a Taiwan strait crisis, only for that to be vehemently denied and contradicted by Australian politicians, because it was seen as an erosion of sovereignty and strategic flexibility.

Some of the demands that Colby has been making of partners such as Australia and Japan regarding clarifying their positions predate this Administration, as does the controversy around availability of the Virginia class and whether the US can afford to part ways with it. I think there is a case to be made that AUKUS actually increases the net readiness of the US Virginia fleet, because of the maintenance facilities the Australians are making available, but the success of that argument, more than anything else, is the key to whether it survives or fails.

Chair: Thank you very much. Let us now move on from the geopolitics to the machinery of government, accountability and delivery arrangements, starting off with Calvin Bailey.

Q8 Mr Bailey: Sir Stephen Lovegrove has been appointed and conducted a review. You just started to touch on some of the broader aspects of how this is actually delivered or enabled. Following his review, we are aware of a number of steps that have been taken to increase oversight back here in the centre of government. Maybe you could expand your answer into the areas that you were just starting to touch on.

Dr Kaushal: Sure. In terms of the general construction of the programme and mechanisms for accountability, certain lessons have been learned from the Astute programme, such as clarifying responsibilities regarding design authority and bringing some of that back into Government from the prime contractor. I would say that that represents a reasonable response to some of the lessons of the Astute programme, where there was sometimes a degree of fluidity and lack of clarity about whether the MoD or the prime held responsibility for certain elements of design authority.

There were also lessons on the importance of having only a short delay between build periods in order to retain skills. Although that is not strictly about accountability, it does again reflect good lessons regarding programme management drawn from some of the issues that perhaps impeded the delivery of Astute. The existence of the role that Sir Stephen fills is, in and of itself, an additional layer of accountability, and a mechanism for both cross-Government and cross-partner co-ordination on the programme. I therefore think there is a reasonable amount to be said for the approach being taken.

I think that one of the key future considerations will be how submarine design is related to doctrine. That is something that often does not occur for capabilities writ large, which often means that capabilities do not



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neatly match a well-specified use case. To me, that is probably the most salient unanswered question, as opposed to the specific issues regarding programme management and accountability, where, at least from what I have seen so far, there has been a good attempt to draw the lessons from past experience.

Sophia Gaston: One of the biggest problems we have had with governance for AUKUS and the UK was the fact that that Cabinet Office team that was originally created was essentially dismantled, and the SRO moved back into Defence. Obviously, Defence is a vital stakeholder—this is a Defence project—but that change has really been an impediment to the whole of government working that we need for both pillar 1 and pillar 2.

For us to really get runs on the board on pillar 1 and fix the challenges in our submarine industrial base, we need input from Departments with responsibility for education, skills, housing, infrastructure, transport, and so on. Then pillar 2, with the advanced capabilities, is about science and technology. I would argue it is also a prosperity project, because we are a knowledge economy, so you would need the buy-in of the Treasury. The absence of the intellectual input of those other Departments has been challenging.

Most crucially, you need proximity and empowerment from the Prime Minister. That is why it is really crucial that we have someone like Sir Stephen Lovegrove there, who has that authority and empowerment, but we also need the Prime Minister to really be driving from the top down. I was slightly concerned that, in the MoD's evidence to the inquiry, while they mentioned the very welcome development that there would be more regular meetings about AUKUS chaired by the Prime Minister, there was a caveat that they could be deputised to the Defence Secretary. We really need to make sure that the Prime Minister is leading this, because we know, and have four years of evidence, that unless you have someone at the top, because this is a disruptive and unusual project that is going to be uncomfortable for our systems, you need that very senior political authority to drive the shift. That is really important.

The other area of accountability, which is why this inquiry is so important, is that we have not had a lot of parliamentary scrutiny of AUKUS progress, so there has not been a lot of opportunities for the Government to be held to account on progress.

To come back to the previous question on Colby review outcomes, I think it is almost certain that we will be asked to pursue a less bureaucratic, less inward-looking approach to AUKUS moving forward. With the Trump Administration, we will have to move away from the focus on three countries building a trilateral bureaucracy to deliver AUKUS to a much more laser focus on the threat and the dual missions of pace and scale that we have been trying to achieve. For all those reasons, I think a much more dynamic political enterprise is required to steward governance here.

Q9 Mr Bailey: Thank you; you have covered the second half of the question I was going to ask. I was going to ask you to elaborate on what we could do



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for the governance of pillar 2, but I think you have covered that. Before coming back to you, Dr Kaushal, I want to ask about the defence industrial strategy, which was released yesterday. I am not sure whether you have had a chance to look through it. Do you think it captures or addresses any of those points that you have raised?

Sophia Gaston: The area that I think is relevant to AUKUS is that some of the regions that will be involved in elements of the AUKUS supply chain will benefit from this new fund. The piece that I was most pleased to see was that research institutions and universities were being brought into the conversation, linking together the research capability-commercialisation-industry pipeline.

The thing for me about AUKUS is that it is really an organising principle for us to go through all the different evolutions that we need to in order to become a more resilient, prosperous and competitive economy and society. The fact that higher education has not been integrated more into AUKUS has been a real failing. That is one example of something that I thought was constructive in the defence industrial strategy, and it is good that they are taking a place-based approach.

Obviously, we have a very involved person in the Barrow enterprise, but we really need to be able to take the success of the Team Barrow endeavour to different parts of the country. Defence is such an opportunity for a success story for the Government because it is so regionally distributed. Sometimes, even in some of the most economically deprived parts of the country, there are opportunities for them to contribute to a national mission with really good jobs. That can only be a good thing.

Q10 **Mr Bailey:** Thank you. It is a shame that the MP for Aldershot is not here because she champions the place-based concept. I agree that we need to learn to reach into other parts of the country to gain access to people in higher and further education, in particular London, which has a big pool of academic excellence. Dr Kaushal?

Dr Kaushal: I don't necessarily have much more to add to my fellow panellist's comments on that.

Q11 **Chair:** Thank you very much. To kick-start our evidence sessions for the AUKUS inquiry, our very first session was actually a private session with Sir Stephen Lovegrove to have that frank conversation. His appointment as the Prime Minister's special representative on AUKUS was widely welcomed, including in the US, which the Committee recently visited, and in Australia. While a point person has been appointed in the UK, we have not had a similar point person in the US and Australia. I have two questions, Ms Gaston. First, is it important for those two nations to appoint point persons for AUKUS, just to get a bit more drive behind this project? Secondly, how should Sir Stephen's success be measured? Should it be through milestones, should it be an annual appraisal, or should it be done in some other form?

Sophia Gaston: Sir Stephen Lovegrove's appointment was a very good example of the British system actually getting into a forward posture for the Trump Administration. We know that the Trump Administration likes having special envoys. There is a degree of political empowerment around those roles, so I think in some ways that was us getting ahead of that and saying, "We need someone who can speak in a really empowered way to the Trump Administration," because one of the challenges is that it is certainly not business as usual—as it has been in the past—in terms of official-level engagement.

I think we will see a more political appointee from the US system to drive the project forward. Whether or not they are an external appointment or someone who is already in Washington remains to be seen. It could be someone quite dynamic. If one of the outcomes of the Colby review is to emphasise that, you could see something like Operation Warp Speed for pillar 2, and the bringing in of someone from the VC and investment community to lead that. That is all still to be determined this autumn.

In Australia, it would be helpful to have someone in a more political position. That is not entirely alien to the Australian system; their appointments of an ambassador to Washington and high commissioner to London are of course political appointments. That would be help because we know that that level of political empowerment is important to the Trump Administration.

On Sir Stephen Lovegrove's role, I am watching closely the development of his team in the Cabinet Office. I want to see that team reflect a little bit more of the dynamism that we have seen in the Government's approach to tech and particularly AI, where they are bringing in people from the outside with different perspectives, relationships and networks. It is really important to bring that dynamism into AUKUS, because those people can contextualise AUKUS within their industries and act as outriders to the Government in the more informal engagement that can take place, to build political resilience around the project, particularly in Washington. The construction of the team will be vital.

The milestones and accountability have been a particular challenge with pillar 2, because whereas pillar 1 had very clear outcomes, pillar 2 was more amorphous because it is about a longer term strategic advantage. Building those accountability mechanisms for pillar 2 will be crucial. It will require us to take some difficult decisions and to resource properly.

Q12 **Chair:** Okay. Dr Kaushal, what do you think is Sir Stephen Lovegrove's measure of success? Is it milestones? Is it annual appraisals? Would you prefer some other parameter so we can all judge whether he has made sufficient progress? To many, his role seems somewhat unclear, as does the authority he does or does not have. I think it is primarily an advisory role at present. What are your feelings on that?

Dr Kaushal: If one looks across history, it is often the case that individuals who hold a long-term role that is in some ways fluidly defined, at least in terms of its metrics for success, have played a very important

role in the delivery of somewhat ambitious programmes. Examples include Hyman Rickover in the context of American nuclear attack submarines—he stands out. The measures Rickover was judged by were whether the capability was eventually delivered and whether it delivered on its promise, but there were not necessarily the sorts of milestone and metric that one might have to contend with as an SRO, for example.

Although I recognise that it is certainly challenging to assess success without clearly defined metrics, it might be worth considering that that is to some degree a part of the model, especially when you look at pillar 1. A lot of the milestones for delivery will fall under the purview of different individuals—Director Attack Submarines, and so on—whereas, in many ways, Sir Stephen’s role is almost one of adjudicating, both when there is a lack of clarity regarding specific lines of responsibility or when there is a requirement for communication across Government and across partner states at a particularly senior level. In some ways, a metrics-based approach might be a challenge for assessing his effectiveness.

One big function for him will be the issue of conceptual clarity that I mentioned. One possibility is that AUKUS, in some ways, bifurcates. It could be that pillar 1 is a strictly military effort and pillar 2 is a much wider whole of society one, as my fellow panellist mentioned. Or, given the focus of figures such as Colby on deterrence in the first island chain in very narrowly defined terms, it may be that the value of every pillar 2 programme is assessed primarily in terms of whether it meets and reinforces that function.

What the underlying concept that links pillar 1 and 2 together is, how differences regarding what that concept should be are adjudicated between the US and its partners, and how the concept ultimately arrived at feeds into actual capability development, are questions where there is currently a gap in responsibility that Sir Stephen’s role ideally can and should fill. But yes, clearly defined metrics might be quite hard to get.

Q13 Fred Thomas: Much has been made of the ability of treaties and organisations such as these to knock down export-import barriers and make doing business easier and more efficient. I want to ask about ITAR restrictions in particular, which is the dominant question in defence import-export. There have been efforts to make ITAR restrictions less prohibitive and less bad overall for our national security for a really long time. Some people suggest that one of the main achievements of AUKUS so far is getting over the line with creating various lists, so if you are on the approved list, you have an easier time with ITAR. I want to get your overall views about that import-export question.

Dr Kaushal: On the one hand, reducing some of the barriers to collaboration that are inherent to ITAR is undeniably a valuable thing, but there are several considerations that might be kept in mind. First, because of a degree of political uncertainty regarding certain policies within the US, the subject of using capabilities that are ITAR-free has increasingly become something of a selling point, particularly in Europe. The question whether capabilities that use large amounts of ITAR equipment or

technology can necessarily be extended to other partners within the context of NATO is an open one, for example. Arguably, that does not matter too much for certain capabilities, such as those related to SSNs, because in many ways they were covered by AUKUS precisely because even within alliances they are sufficiently sensitive that only a few partners would collaborate on them. But more broadly, that is the major question about ITAR technology.

Q14 Fred Thomas: Sophia, I want to hear your views on ITAR, but we were also discussing AUKUS visas and security clearances with Sir Stephen last week, and we reached widespread consensus that that is one of the major logistical barriers to the delivery of even pillar 1. Could you also touch on those items please?

Sophia Gaston: The ITAR reforms are really significant, and we should not underplay what a milestone they were, but it is true that the practical use of the ITAR reforms has been profoundly inhibited by the absence of the fundamental building blocks of co-operation, particularly security clearances and mutual recognition of classifications. Those are the sorts of thing that industry will reel off as the everyday barriers to their working, even internally between their own business operations in the trilateral market. Until we solve those problems, it is going to be very difficult to reap the rewards of the reforms that have been achieved.

There is an interesting question that deserves more interrogation, which is the balance in respect of which AUKUS projects will be directed and financed by the Governments versus the much broader project of creating a trilateral innovation ecosystem. I have just published a paper on the integration of the British and American technology and defence industrial bases. To me, this is a profound, long-term strategic opportunity, particularly because if you spend a bit of time in Washington, it is made quite clear that Britain is one of the very few countries that the current Trump Administration regards as a viable co-creation partner for advanced technology. That is a very privileged position, and I am sure that is why the Government are currently trying to pursue a UK-US technology partnership, but the wider trilateral ecosystem and the cascading benefits of organic co-operation seem to me to be an important long-term goal, particularly for Britain, because we do not have the funds to directly finance all our innovation and growth projects directly from the Government. The US Government can provide direct transfers; we certainly cannot.

We need industry to be much more empowered to be able to do that of their own volition. The question is about the enabling environment. ITAR is just one of those instruments. There are so many others, whether that is the mobility of people, security clearances or classifications—those are the foundations. Until we get movement on that, it will be very difficult to create that ecosystem. Government can say as many times as they like to industry, “Just get on with it,” but without movement on that, which has to be led by Government, it will be very difficult. The question is whether we are in a better position to have movement on that with the Trump Administration in power than we were previously. There was certainly no



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race to the finish on that under the Biden Administration. There is a possibility that you could frame this in the context of the Colby review as one of the intractable challenges to address.

- Q15 **Fred Thomas:** Is your sense that it sits largely with the US, as the most powerful partner in this three-way partnership, to sort this out? When we talk to British officials, certainly in the MoD, people are very proud of the work they have done on ITAR reforms. They want to talk you through it, show you the list and say how good it is, but we talk to industry every day and, as you just alluded to, they would say, "There may be an approved list, but we still cannot really do anything." Is your sense that the UK has done a bit here and we are waiting for America? Or is it still incumbent on UK officials and UK Government to make further changes, particularly with security stuff—the AUKUS visa, and so on?

Sophia Gaston: All three countries will need to move on this, but the US has historically always been the most conservative on questions about security. They are obviously a crucial player in this. However, there are things we can do from our side. For example, we have not been leading the charge on championing the idea of an AUKUS passport to encourage mobility between the three partners in industry. There are campaigns that we could run within the AUKUS framework to push for outcomes that need to be decided at a political level.

Fred Thomas: I think other Members will come on to that shortly. Thank you very much.

Chair: Let us move on to stakeholder engagement with Michelle Scrogham.

- Q16 **Michelle Scrogham:** I am the MP for Barrow and Furness. We have a huge interest economically in what happens with the nuclear deterrent: we build the submarines. I have been critical in the past of the amount of engagement we have with the wider public nationally. Locally, people understand what we are building and they are very proud of that. I am quite pleased to see that there has been a significant shift this year to talking a lot more about our nuclear deterrent and about AUKUS itself, but we need to do an awful lot more. I chair the AUKUS APPG, and a huge focus of that work is the engagement with stakeholders. I know that in the past you have been critical of the limited public engagement. What is important about that engagement? What are the political issues if we do not deliver it?

Sophia Gaston: There are two key engagement and narrative concerns. The first is around public engagement. On that, I would say that Government are talking a lot more about AUKUS. They are still containing it in a framework of retail politics—job creation at a very rudimentary level. From the polling I have done with the British people on AUKUS over the past four years I have found that there is high willingness and responsiveness to the strategic and security arguments around AUKUS. The idea of co-operating with our allies to become more resilient and more competitive, and working together for a collective uplift, resonates



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strongly with the British people. The Government should not be afraid of talking about AUKUS as a strategic project, not just about the fact that it will create 2,000 jobs here and so on.

There is also a way that we could build an exciting pipeline of young talent into AUKUS as a generational project. There are so many things you could do—AUKUS apprenticeships, AUKUS advanced technology degrees and things like that—so that people can think about buying into the AUKUS enterprise as a lifelong career, working with our two closest allies, working in the national interest and contributing, whether to the submarine industrial base and our nuclear enterprise or to the advanced tech capabilities of pillar 2. There is no shortage of opportunities there.

I am a very strong advocate of the Government talking very frankly with the British people about the threats that we face. It is absolutely evident that the requirements of this deteriorating geopolitical environment are that we are going to have to spend a lot more on defence. That is going to have to come from somewhere, and most likely it will involve a retooling of several aspects of the state, including the welfare state. You need to bring people along on that journey so that the Government have the headroom to make those choices.

The other big piece around narratives is institutional. I mentioned earlier that one of the problems is that AUKUS ended up becoming reduced down to a quite siloed defence capability budget line—or sitting in the nuclear enterprise. AUKUS is really about our vital resilience and competitiveness, and it is patently obvious that in the British context, with the security environment that we have here in Europe and what is going on with the US posture in Europe, a lot of the capabilities that we will develop through AUKUS will be used in our home region for our fundamental security. AUKUS was allowed to become funnelled away into this part of Government, but it really needs to be sitting at the top and centre of Government.

There is a whole piece of work to be done around developing the institutional narratives so that people understand what this project is, what they are buying into and how it connects to the British national interest as a long-term mission.

Q17 Michelle Scrogham: I agree that we have spoken mostly about job creation and putting money into the economy—we understand that very clearly in Barrow and Furness. Nationally, the message about what AUKUS delivers to counter the deeper threat is not really out there.

On pillar 2, we have had criticism of the Government for not engaging with stakeholders, particularly industry. When we are talking to industry, I think a lot of them are waiting for a signal on where that is likely to go. It was similar when we were talking to businesses in Washington. What can we do better as a Government to engage with industry on pillar 2 to ensure that it is successful for the UK?

Sophia Gaston: We have ended up with what I call a Schrödinger's AUKUS. Government say, "We need industry to tell us what they can do,"

industry says, “We need you to tell us what you want,” and we end up in this really unproductive cycle. What it boils down to—I have had a lot of conversations with industry, and led the industry forum on AUKUS—is, really, an institutional risk appetite. That risk appetite needs to shift dramatically for a project like AUKUS.

With pillar 2, we are talking about the most advanced tech, and a lot of industry has not had a great experience over the years of engaging with Government procurement processes, particularly in terms of the disclosure and ownership of IP in those processes. It has made the industry quite cautious about how they have those early conversations with Government. They are also not necessarily being given contracts that allow them to take the risks and do the experimentation that need to underpin this kind of innovation. You do not innovate for a military application; you innovate and then apply it militarily or commercially. That shift has really profound consequences for our procurement system, which has not kept pace with the nature of these challenges.

I believe it will take a very long time for us to reform adequately the entire MoD procurement structure. I mentioned AI earlier, and the fact that Government have been willing to take more risks, certainly in terms of personnel and funding streams, and the way they are thinking about it. We need to apply some of that to pillar 2. We need to set up an extraordinary procurement system that allows companies to take on those risks, knowing that they have that certainty and consistency of funding streams and that there is mutual agreement around the sort of outcomes you would be looking for. That will also be crucial because the other piece of the puzzle is that the Government are not going to be directly funding all this, so we need the investment community in the City to take on that risk and get involved.

All this comes down to Government procurement, but those decisions are being driven around institutional risk. Again, we need the Prime Minister to lead on this point and understand that, as a knowledge economy, that is going to require us to take some risks, and back some capabilities and some companies that might have some great ideas and capabilities that are untested, so that we can make sure we are harnessing the full spectrum of our assets. We have a lot of them. I would like to see the full extent of British capability being able to be deployed in this project.

Q18 **Michelle Scrogam:** Are you saying, “Put the ideas on the table that we want them to work on, and back them with the funding”? The whole idea within business tends to be, “We need clarity. We need to be able to have a decision before we can move.” That has obviously been a long-term issue in the submarine programme, with the lack of clarity about what we are ordering and when we are ordering it. Are you saying we should be delivering that to pillar 2, to say, “These are the projects we want you to work on, and this is a set amount of money that we will back it with initially,” or do you want something bigger than that?

Sophia Gaston: The challenge with advanced technology capabilities is that Government cannot always be at the head of the pack in asking for

specific capability development. A lot of the innovation is now taking place in-house within private sector companies. They have the capability development. What we need from Government on pillar 2 is a stronger focus on the outcomes they are trying to achieve, which will at least create the framework for businesses to be able to understand how their capabilities could be deployed.

Chair: We will now move on to discussions about pillar 1. Michelle, is there anything you want to ask about pillar 1?

Q19 Michelle Scrogham: What do you think are the risks and opportunities for the UK of the planned rotational deployment of the Astute class out of Australia?

Chair: If we can concentrate on pillar 1, we will move on to pillar 2 in a bit.

Dr Kaushal: The risks to the UK are that, in the short term, we are looking at a trough in availability of SSNs. That will improve with things like having the availability of docks 10 and 14 at Devonport at our disposal shortly. Even so, we are looking at a relatively small fleet of nuclear attack submarines—the smallest the UK has had in living memory—that has a range of non-discretionary tasks including, for example, delousing the SSBNs and patrolling the Atlantic. That is now being enjoined to take on an additional function at a time when the Russian nuclear attack submarine threat in the High North is growing both in quantity and quality.

The issue is not so much one of absolute scarcity. In theory, if a readiness level of around 50% could be achieved at any given time, the requirements would be met, but they would stretch the fleet to the limits of its capacity. In practice, that means that certain functions and the training of certain competencies has to be dropped.

The obvious example would be under-ice operations. Based on what we know in public, the ICEX in which the Royal Navy participated with the US in 2018, with the T-boat, was its first in 10 years and the last that we know of its having taken part in. That is a critical competency for the alliance—something that you will recall was vital both to pressuring and to deterring the Russians during the cold war—which may well be atrophying within the Royal Navy. The risk of stretching our SSN fleet is not just about the availability of hulls but, frankly, that we operate it to death—that we essentially drive out of the force certain competencies and the ability to train them.

That being said, there are also opportunities beyond the relationship with Australia and the long-term value of SSN AUKUS to the UK. There is also a short to medium-term deterrent opportunity, which is that the Russians tend to pay a lot of attention to AUKUS. For example, in a lecture General Gerasimov highlighted it, among several arrangements, as evidence that European powers and NATO were finding their way to the Indo-Pacific, and that Russia needed to guard its own strategic backdoor in the area. The

Russians have committed real capabilities to doing so. Half their fleet of modern Yasen-class attack subs has been allocated to the Pacific.

There is, then, even in the context of a NATO First overall strategy, also some deterrent value to these sort of Pacific deployments if they, for example, convince the Russians to fix certain capabilities far from Europe, where they are perhaps less immediately problematic to us. There are both real short-term costs and certain deterrent advantages, both in the short term and especially in the medium to long term.

Michelle Scrogam: Do you have anything to add, Sophia?

Sophia Gaston: I think you are the expert on a lot of the challenges in Barrow itself. With pillar 1 there is obviously a degree to which our place in this trilateral pact is dependent on the actions of the others. We need Australia to make significant progress from its side in order for us to be able to deliver on our part of the equation. It is going to require us to monitor the progress of our partners as much as anything.

In the United States context, there have been quite a few initiatives looking at trying not just to address the workforce challenge, which is often the core root of the capacity crunch; there are also a lot of productivity improvements that can be made in the value chain. There has been some experimental work on that in the United States, and I would expect to see a lot more there. I would like to see that coming into the British context as well.

As I mentioned earlier, I would like the Government to be thinking about this in a holistic way. If we have workforce challenges, part of that is going to be about not just the pipeline but how we make this nuclear enterprise a really attractive long-term proposition, not only for individual workers but for their families. What do we need to make places like Barrow more accessible in really fundamental terms such as transport and infrastructure? What do we need in terms of housing, education and good schools? We are talking about destinations where people want to build a life. I know that BAE and Rolls-Royce have been doing outstanding work in Barrow and Derby, but they could probably benefit from the Government thinking about the levers they have to amplify that work.

Michelle Scrogam: A huge part of Team Barrow is the Government understanding that we need to pull all those different levers to make it deliverable. You hit the nail on the head when you talked about the wider aspect. It is not just about whether the shipyard itself can build the infrastructure and the submarine; it is about bringing in the people, the wider community and their families to make sure that it works in Barrow.

Q20 Jesse Norman: Ms Gaston, you have been very eloquent, and I am sure that the need for prime ministerial leadership, noise and communications, a genuinely national strategy, and a more inclusive approach to bringing public opinion and specific communities with the AUKUS programme will strike a chord with others. Can you talk a little bit about what you consider to be the No. 1 risk to the delivery of the pillar 1 commitments?



Sophia Gaston: I think it is just drift—a lack of political attention and will. We have to always come back to the fact that this is a political project. It is not something that was cooked up institutionally deep in the bowels of Whitehall; it is something that came together through leaders, and it requires leaders and that consistency of leadership to allow these sorts of changes to happen.

I come back to the fact that this is a disruptive project. What we are trying to do here is to shift ourselves to a much more active posture. AUKUS is the organising principle through which we modernise and build a more resilient economy. I suppose it is putting us on more of a wartime footing. We like to dance around the strategic context we are facing, and we keep talking about wake-up calls and so on, but we are really in an existential battle here. I do not think we have fully priced in what it would mean for us to lose that battle of foundational competitiveness on an economic level, militarily and technologically. We are facing that.

Q21 **Jesse Norman:** I think the special representative on AUKUS is being appointed on a year-to-year basis at the moment. I take it that from your point of view, it would be a major sign of lack of seriousness if that continued, rather than giving it a longer term focus, a much greater level of public backing and a distinguished place within Government designed to reflect that strategic impetus and a continued reporting line into the Prime Minister.

Sophia Gaston: Absolutely. I guess what all of this comes down to for me is this. People say, “What if AUKUS fails?” If we fail at AUKUS, then we have failed, because the shifts that AUKUS requires us to go through in our systems are absolutely foundational building blocks of our basic resilience—prosperity, competitiveness—moving forward.

Q22 **Jesse Norman:** Okay, so it is a major geo-strategic defence move in the Indo-Pacific, but it is really about what the UK is, in part, as a defence power, in a way that has not been recognised by painting it as a purely Indo-Pacific initiative. Is that what you are saying?

Sophia Gaston: Because of the origins of the focus, and particularly pillar 1, because pillar 1 was the centre—

Jesse Norman: We are only talking about pillar 1 at the moment. We can come to pillar 2.

Sophia Gaston: Pillar 1 began as an Indo-Pacific project focused on building Australia’s capability and, in order to do so, a mutual capability uplift in both Britain and the United States—a win-win-win. The reality is that, only a few months after AUKUS was announced, the Russian troop build-up started to amass on the Ukrainian border. I think we can all see that what we have come to is a more dangerous world with active, kinetic conflict in several different theatres.

Q23 **Jesse Norman:** Right, but I thought you were saying that it is a UK thing. It is not just, as it were, an Australia outpost; it is an all-UK defence initiative.

Sophia Gaston: Absolutely, because all of the geopolitical developments that have happened since AUKUS and all of the developments that led to AUKUS are as much about our own security—they are not irrelevant to us; they are not peripheral. That is why pillar 1 will contribute as much to our home region security as it will to the broader security in the Indo-Pacific.

Q24 **Jesse Norman:** Dr Kaushal, if the UK starts to fall behind on the delivery of SSN AUKUS subs, what are the implications? We have heard the worry about drift, lack of leadership and all that stuff. What are the implications for the wider alliance if pillar 1 starts to run slow in the UK?

Dr Kaushal: There are a couple of immediate implications. The first is that the ability of Russian attack submarines like the Yasen class to slip through the Greenland-Iceland-UK gap and launch cruise missiles at the European homeland from unexpected vectors will increase exponentially in a context where American assets are reallocated to the Pacific, and the UK, as one of NATO's two operators of nuclear attack submarines, faces a capacity shortfall. The second challenge is that European NATO's independent deterrence, and particularly our own CASD, will be at risk if Yasen-class submarines can break into the Atlantic in meaningful numbers.

So the implications if pillar 1 of AUKUS does not deliver are quite dire and quite immediate for the UK. I think that that is a point worth stressing; it really is not about developments in the Indo-Pacific primarily. The ability to reinforce Australia's capacity to act as a balancing power in that region is important but, fundamentally, the success of pillar 1 is a sine qua non if critical elements of our national security, including our strategic deterrent, are to be protected.

Q25 **Jesse Norman:** But we know—I think we know—that one of the worries sitting behind the Colby review is about the flow of subs coming out of the US. If we are running slow on SSN AUKUS, will it have collateral effects on that process? Will it place additional stresses on American defence infrastructure and procurement?

Dr Kaushal: Just so I understand, do you mean that we would rely more heavily on American capacity to fill certain shortfalls?

Jesse Norman: Right.

Dr Kaushal: Probably not. In the first instance, although elements of the design and key components will be shared, the submarine industrial bases will be operating effectively in parallel. If, however, there is a risk of SSN AUKUS, for example, falling behind schedule, I am not sure we could necessarily fill those capacity shortfalls by relying on the American submarine industrial base; those responsibilities are not easily transferred.

There is a real and very legitimate question about whether we can deliver, and about whether the Americans can deliver the Virginias and their successors at the rates they need to, but I do not think they necessarily impact one another.



Q26 **Jesse Norman:** No, quite. You pointed out the defence implications, with the Yasen subs coming through and so on. I was trying to get to the industrial implications within the alliance of running slow on SSN AUKUS subs, which I think you have just touched on. Sophia, did you want to say anything on that?

Sophia Gaston: I think we are in fierce agreement that, essentially, if we fail to deliver our piece of the pie, it is because we have fundamentally failed to fulfil our basic defence and security objectives, and our industrial base is not working as it should. It is not really an option for us to fail.

Q27 **Jesse Norman:** Okay. Obviously, building up defence capability in Australia and at Osborne, with the capacity to scale up, is going to be enormously testing. It has been said, to me at least, that Australia does not have enough specialist engineers to maintain a Virginia-class sub at the moment, let alone to create the capability required to build a new vessel. Indeed, there will be issues of security with that group as well. Is that a concern you have? Do you think we should be concerned about it? Do you think it would have a negative impact on the delivery of the overall programme?

Dr Kaushal: Yes, it is a very salient concern that, right now, there is a lack of specialist capacity within Australia, by the admission of figures in the RAN quite publicly. There is likely to be a requirement for specialist skills to be brought in, from the US in particular. Over time, the aspiration would be that the development of this skill set within the Australian submarine industrial base would allow for some of the maintenance cycles for American SSNs to be reduced in temporal terms quite considerably, and eventually for the conditions for an Australian delivery, or capacity to deliver, on SSN-AUKUS to be built.

In a sense, building up the capacity to do things like maintain the Virginia-class submarines will be critical for Australia in two ways: it is critical to make the case to figures like Elbridge Colby that AUKUS represents a net increase in US SSN capacity, but it is also critical with regards to building that skills base. However, if they fail to do so, I don't think that SSN-AUKUS will be the issue, because they will fall at the first hurdle: the Virginia-class submarines are likely to be not transferred, and it is very likely that the SSN programme in general will start to collapse. I cannot necessarily predict right now whether they will, but it is sine qua non for them to do so, and if they fail, the problems will become apparent far before the timelines for delivery of SSN-AUKUS .

Q28 **Jesse Norman:** Finally, the SDR has talked about up to 12 SSN-AUKUS subs. Is that strategic ambiguity designed to keep the other side on the hop, a reflection of the lack of leadership and budget allocation in the Government or just flagging that the Government are not really serious, because they are just putting an aspiration out there? How do you read that "up to 12" commitment?

Dr Kaushal: Up to 12 is a reflection of an assessment that roughly 12 SSNs are likely to be necessary for the Royal Navy to meet both its standing requirements and to achieve critical strategic deterrence and

aims, but there are very real outstanding questions regarding both financing, as you mentioned, and the capacity to deliver both suitably qualified personnel and physical capacity at Barrow. It represents both an acknowledgment of the demand signal and a hedge against the possibility that, perhaps, it cannot be.

Q29 Jesse Norman: Is that how you read it, Ms Gaston?

Sophia Gaston: Yes, the same. Obviously, it has only become more apparent that these maritime capabilities will be crucial for our foundational resilience in the future. A huge amount of work has been done from the nadir of our submarine industrial workforce after the end of the cold war up to the early noughties. A lot of work since then should be commended, but we need to go a lot further. This is going to have to be a crucial part of us moving into more of a wartime footing. All three partners are sharing these same challenges. At least there is an opportunity through that to be sharing insights and lessons about what works.

There are issues around workforce, of course, which we have mentioned, and all the associated policy levers that are needed to support that. But we also have to think about how this becomes a really highly valued part of our defensive enterprise, for all the reasons that have been explained. Our adversaries are investing an enormous amount of money and capability into this particular domain. We are running catch-up. We have to get our skates on.

Q30 Michelle Scrogam: Touching on what Jesse Norman said about “up to 12”, what are your views on how business and industry work with that? I know that when working in business, the definitives are always easier. Do you think that industry can cope working with an “up to” number?

Dr Kaushal: It depends on how one defines coping, I suppose. In terms of retaining capacity, I think that it is possible for industry to maintain existing capacity within the parameters of that promise, assuming a quick transition from Dreadnought to the construction of SSN AUKUS.

Of course, investing in additional capacity typically requires a bit more certainty, but I would say that here the multilateral character of AUKUS and the fact that, at least initially, Australia will not necessarily have the capacity to construct its own submarines in-house provides an additional hedge against the uncertainty for industry. So, in some ways, the very multilateral character of the relationship and the fact that the first Australian submarines will probably have to be built in the UK provides a bit more of a hedge against that sort of uncertainty than would have been the case if this was just a UK programme.

Sophia Gaston: I just want to add into the mix that if Australia does not solve this workforce development problem, which I think people are right to be concerned about, these questions about the potential friction between the ambition to build Australia’s sovereign capability versus getting that capability as quickly as possible will only increase as we move forward. I am sure that the Colby review will interrogate this issue, so I would anticipate some pretty serious discussions about it later in the year.



The other aspect that is very related to that and that affects things is the fact that we are engaging in this trilateral project with mutual capability uplift at the same time that we need to fundamentally strengthen and uplift our own sovereign capability.

One of the tension points will be around retention of workforce, because there are competition aspects to this trilateral project, which I think would benefit from being interrogated more openly. We will send a lot of our really highly skilled people down to Australia to train them and be embedded in the workforce there. How can we ensure that they come back? I think that those are the sorts of questions that we need to really get into in AUKUS, particularly because we are trying to do these two things at the same time.

Q31 Chair: Ms Gaston, we have discussed the serious concerns around recruitment and retention, the skills issues, the lack of engineers and the lack of young people coming into this profession. If we are to talk about failures in terms of maintenance and repair, in the past 18 months the submarine service has been undergoing serious issues with regard to the availability of vessels, and some submarines have been waiting for up to two years just to get in the queue to get their maintenance done. If, as a nation, we cannot even repair and maintain existing submarines, what chance do you think that industry has to comply with the very ambitious targets to build more submarines?

Sophia Gaston: This is a problem across a wider suite of defence capabilities and until we get the basics right it will be very difficult for us to fully lean into areas of strategic advantage. We are trying to fix these fundamentals while also shifting to a completely different defence ecosystem, with technology at the centre. And we have this extraordinary example from Ukraine, where we can see how important it is, and how disruptive it can be, to have these cutting-edge technologies, but we can also see that just the nuts-and-bolts basics of munitions, training, people, logistics and so on are also really important.

The SDR tried to look at what we need for a holistic warfighting capability. The problem is that it is difficult to find any single area where everything is working completely smoothly, so this reform project is going to have to take place at the same time as an innovation project. That is a challenging thing for a system to do. Again, it will require a lot of political will, but it is also going to involve more money.

We also need to look at the industry landscape. We have a very different industry landscape from the two other AUKUS partners. There are some really profound benefits to that. Industry is much more involved to strategic partners here, I would say, but if we look at the submarine enterprise, there are only a few players in that. It is quite small, and there are monopolies in certain areas of that supply chain. What that means is that there is a premium on productivity, accountability and transparency mechanisms to make sure that that is all working well.



When things are working well in the areas where we succeed, it does not matter that we have a small number of players, because they can work harmoniously together, but I think it is quite clear that we need to do more here. How can we actually bring in accountability? What kinds of productivity improvements could be brought in that make demands of both industry and Government to shift to a different posture? A lot of work needs to be done now that the SDR is delivered to understand how we are going to get from A to B.

Q32 Chair: To build on that, Dr Kaushal, in the first half of 2024, none of the five Astute-class boats in service actually completed an operational deployment. As we have discussed previously, whether that was because of a lack of dry dock facilities at the Clyde or at Devonport, or because of lots of other issues with regard to recruitment and retention, how are we going to get these submarines built on time for pillar 1 of AUKUS?

Dr Kaushal: Regarding the issues around maintenance, as you mentioned, there is a range of fairly well understood issues surrounding capacity, some of which may well be resolved relatively soon, particularly in terms of dry dock capacity.

The second major issue is around supply chain issues and spare capacity when it comes to spares. This has been an issue in the US as well, where the major driver of the US having nearly twice as many SSNs in refit as it should have if its shipyards are operating properly, is the fact that many spares are ordered on a needs basis rather than stockpiled. The challenge is that most nations' budgetary capacity to sustain large stockpiles and large inventories is relatively limited. In this respect, though, AUKUS is to some degree a part of the solution, because the Australians have made pretty significant investments both in our own submarine industrial base and in the US's. So in a certain sense, you could almost invert the argument and ask how we could sustain the SSN fleet and maintain it to an adequate level of readiness without AUKUS.

The second half of your question was about how we address the issue not just of how we maintain and optimally use what we have but how we actually generate the capacity to scale up. That is a very pertinent question, because there are real hard limits on the physical capacity to expand facilities in Barrow and on the ability to attract and retain suitably qualified and experienced personnel. In certain regards, as I mentioned, the fact that SSN AUKUS, at least the Australian side of it, will primarily be delivered from the UK does provide a degree of confidence for industry to make the investments in both fixed infrastructure and in personnel who will be with them for an extended period of time. In that respect, the pooling of risks between two nations represents part of the solution, but there are some significant questions, particularly about physical infrastructure and the ability to generate new capacity, that remain unanswered.

Q33 Mr Bailey: I want to invert the question, because that was kind of what you were exploring. The defence industrial strategy does not say very much about strategic partnerships; it points to them. Our submarine



enterprise is founded on strategic partnerships, and with that come the resulting risks that you highlighted. How can AUKUS be used as a vehicle? I would like to explore and continue that discussion, particularly in relation to pillar 1. How can AUKUS be a challenge to the problems that we see with failure to deliver and monopoly? I will start with you, Dr Kaushal.

Dr Kaushal: When it comes to delivery of SSNs in particular, I think we have to accept that we are probably in a monopoly relationship with certain elements of industry. I do not think that will change fundamentally as a consequence of AUKUS. Where I think there are greater opportunities is in the capabilities that you might say enable the SSNs. There is a reasonable amount of analysis that suggests that because of how resilient and multilayered sensor networks, including underwater sensor networks, will be, it is likely that SSNs will have to operate from further back and will need to rely much more heavily on uncrewed assets to perform tasks like sensing forward. There is also an argument that deep-strike capabilities—for example, hypersonics—will be critical to ensuring that SSNs generate strategic value in the future operating environment, which is why, for example, most American Virginias are equipped with payload modules.

The point I am leading to is that, arguably, many of the capabilities we might want to bolt on to a future SSN AUKUS, whether that is uncrewed assets or deep-strike capabilities, can be generated by a far wider range of industrial providers than the SSNs themselves. I think that is where there is an opportunity to introduce a more competitive dynamic than perhaps we see with the delivery of the boats themselves, where I think, unfortunately, because of the complexity, we are locked into a certain model.

Q34 **Mr Bailey:** Indeed. The DIS talks particularly about reimagining those strategic partnerships, and I think this is an opportunity to have a discussion about what we can do and how we can shape our industry within a new framework that is enabling, because if we fail beneath it, we have failed, as you said earlier. I am trying to get at how we go back to strategic partners, and what does the reframed partnership look like in the light of the new DIS?

Sophia Gaston: It's interesting. I agree that one of the advantages of AUKUS has been that you can use it as an instrument to build a much more diverse, resilient and productive defence ecosystem. There has always been a question about how you bring in those really exciting new companies. As I mentioned before, because of the structure of innovation now, a lot of those firms are not firmly in the defence tent, so there is a question about how you bring them in with these technological capabilities. I think there are interesting questions about, for example, whether Government requires the primes to essentially do the fielding process of doing the due diligence and making sure that the SMEs can deliver and so on—bringing them into the tent—rather than trying to do that process itself. It has pursued that with the innovation challenges thus far which have come up with AUKUS and which I think have suffered a little bit from the fact that you have a lot of really exciting firms there but we don't know whether they actually have a proof of concept.

There is a lot of really interesting things that Government can be doing as an enabler to build that system. They should be asking primes to be involved in that space, because we do want to develop a much more textured system where we have more resilience.

We have not really mentioned AUKUS interoperability and integration with NATO, but that is a really exciting project that Britain can be leading, and that will also help us to have a bit more harmony in the capabilities we are developing. One of the challenges we have not discussed relating to the fact that AUKUS will not just be an Indo-Pacific project but will meet our Euro-Atlantic needs is the influence and impact that has on the decisions the three partners take about the projects they pursue, because the capability requirements in the theatres are quite different.

For all these reasons, we cannot just think trilaterally with AUKUS. There is a trilateral core, but there are also national elements that will dock on to that. Building the British defence industrial ecosystem is a project that will extend from AUKUS but can benefit from AUKUS.

Mr Bailey: We will perhaps come back to this for pillar 2, but do you think that the strategic partnerships should be reset under AUKUS with some of those enablers, on the basis of what was released in the DIS yesterday? Perhaps this is something we can explore later.

Chair: In the remaining 24 minutes, I want to concentrate on pillar 2, starting off with Ian Roome.

Q35 **Ian Roome:** I would like to start with an article on the Center for Strategic and International Studies website, which states: "If Pillar One was historic, then Pillar Two promises to be revolutionary." In some of our meetings with the defence industry, they have said that they are looking at what this actually means—what does pillar 2 look like? With much of the public and political attention on AUKUS to date focused on pillar 1, can you set out why pillar 2 is important and what it could deliver for the UK and its allies in the context of an increasingly dominant China?

Dr Kaushal: In many ways, the key aspect of pillar 2 is that a lot of the capabilities it covers—for example, quantum technologies or hypersonics—are critical to ensuring the success of pillar 1. The ability of submarines to successfully counter-detect in the subsurface operating environment may well depend on things like quantum sensors and quantum navigation moving forward. Their strategic value, particularly as a stealth tool that can be used against high-value targets, will depend to a significant degree on the integration of hypersonics, which the Americans are already on the cusp of doing with the Virginias—the navalised version of the Army-Navy common hypersonic glide body.

The critical point about pillar 2, and the critical risk inherent to it, is that pillar 1 is relatively well understood, and pillar 2 risks being seen as everything and nothing—a slightly more deeply integrated PESCO-type relationship. It is critical to stress that in many ways, pillar 1 and the



submarines it delivers must be enabled by a lot of the technologies that fall under pillar 2. That is the golden thread that runs through them.

In terms of the practical implications for deterrence vis-à-vis China, the most important implication of submarines—particularly enabled by some of those pillar 2 technologies—relates to the nuclear balance in a world past the 2030s, where for the first time the cumulative nuclear throw weight of Russia and China will considerably outweigh that of the US. It is likely that, to offset that position of relative disadvantage in a context where it cannot necessarily build more nuclear weapons at scale, the US and its allies will require conventional offsets. Deep-strike capabilities being launched from submarines is one option. The sensors that enable them to track elusive targets are also critical to the overall deterrent balance, as is the ability to track and, if necessary, engage adversary SSBNs. The major strategic question when it comes to the deterrent balance that cuts through both pillar 1 and pillar 2 is how the US and its allies cope with a world of three nuclear powers, two of which are aligned against the US.

Sophia Gaston: I see pillar 2 almost in two different parts. The first is around vital defence capabilities, many of which are complementary to the pillar 1 endeavour. Those are capabilities that all three countries need as a matter of urgency. The idea with pillar 2 is that you can accelerate getting those capabilities into the hands of the warfighter as quickly as possible. There is an obvious benefit to that. I should say that, from my conversations in Washington, the utility of that for America's national interest is pretty well understood. If you look at the list of capabilities, they are all areas where China is extremely competitive with the United States and, in some areas, potentially even ahead. Mutual amplification there is a no-brainer. It delivers obvious dividends. For that part, what we need is a really clear set of projects, and fewer projects, where everybody agrees and is willing to donate the same degree of political attention and will behind them and to properly resource them. Then you just go doggedly on delivery for that smaller suite of projects.

The second part of pillar 2 is more about the innovation ecosystem. That is where the real opportunity for Britain lies because, of the three powers, we are the knowledge economy. We are not an agricultural economy or a resource economy; we are a knowledge economy. Science, tech, innovation—that is the future of our prosperity. This extends beyond just the security dimensions, which are addressed in the first component. A lot of this is getting into dual use space, where you have commercial applications for technologies as well. This is about building an integrated innovation ecosystem that brings together the investment community, VCs, pension funds, all the way to the higher education sector, and looks at the research, innovation and commercialisation process. There is an abundance of opportunity for Britain to accelerate the pace of our innovation and to put us at the cutting edge, building on the skills that we already have. A lot of our future economic growth will be driven in this space.



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I was always confused about why pillar 2 was dismissed as “window dressing”, particularly in Britain, where we have a vital economic stake in these capabilities that extends beyond the security domain. It is madness to me, for example, that the Department for Science, Innovation and Technology has been a peripheral actor in AUKUS, when pillar 2 is so much about these advanced capabilities. Successive Governments over the last four years in particular have done a lot to put us in a much more ambitious, competitive posture on science and tech, but you could use AUKUS to say, “What would it look like if we could also get the might of the US investment community, the best and brightest researchers in the United States or Australia, and start-ups working together towards these common goals?”

We have to come back to the fact that our prosperity and security are completely entwined. To be more effective as a security actor, we have to drive economic growth. That is why it is worth looking at pillar 2 across those two different domains. There might be some questions in the coming months about whether to keep that as a holistic programme of work, and the degree to which it remains a holistic programme of work with pillar 1, or the degree to which you could benefit from some more autonomy.

Q36 Ian Roome: I think we will come to that a bit more. You said earlier that AUKUS is about giving us a long-term strategic advantage. Do you think it will give us an advantage over China and its capabilities?

Sophia Gaston: If we succeed. The data is quite clear that America’s asymmetrical advantage over China is in its alliances. The collective amplification puts the west well ahead. We need to understand that this is an active battle that is going to decide our future economic growth, our capacity to act with autonomy and our capacity to influence geopolitical outcomes. If we lose this battle around technological competitiveness, we are facing a grave environment that is going to be extremely challenging.

The urgency for me around this is paramount. We have to put everything we have against this. Particularly in Britain, because we are a knowledge economy, if we are not succeeding at this, we do not have other areas to fall back on in the same way that our other partners do. We have to see this as a fundamental national mission.

Q37 Ian Roome: Given the time, I will go straight into my next area, which is a quote from a member of techUK, who argued, “Despite broad agreement on what needs attention, the how, when and who remain vague”. We have heard that pillar 2 is rapidly losing a bit of credibility due to a lack of tangible progress. Do you agree? What should be done to address that internally within the UK and across the trilateral?

Dr Kaushal: There is a risk that pillar 2 loses momentum. To me, the fundamental challenge is that the use case for many of the capabilities that pillar 2 encompasses is not well specified. The ability of actors in particular industries to understand whether the development of those capabilities will be a national priority is quite limited and constrained.



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Specifying a clear deterrent use case, and drawing clear linkages between pillar 2 and pillar 1, particularly when it comes to the ways in which some technologies covered by pillar 2 are vital to ensuring that success in pillar 1 locks in long-term strategic advantages viz China and Russia, will be vital. There is an element of narrative involved here.

In terms of leveraging technology, as mentioned by my fellow panellist, a lot of progress is not necessarily driven by Government; in many ways it is driven by private capital. To an earlier question, the way in which Government acts as an enabler might have to change. Instead of providing financial capital, where it may not be the most important actor, I would argue that Governments have two things to offer.

The first is the ability to test capabilities, which can really only be done in facilities controlled by a small range of actors, mostly the states and their militaries. The ability to generate collective capacity among the three partner militaries to test capabilities may be the most important offer they can make to industry, particularly when those capabilities are being employed in a defence context.

The second thing that the three countries could do quite easily to enable the adoption of the technology that one or all three of them develop more broadly, and certainly some of those covered by pillar 2, is to standardise their certifications processes. Right now, capabilities that are tested to full operating capacity in one country still need to go through the same process in the next, should they be procured. We saw that with the Mk 45 gun on the Type 26s, for example. A shared standard of certification, allowing actors within industry to know that the capability certified in one country could be adopted rapidly across all three, might be another way to stimulate industry to take some of the risks and actually drive some of the progress without, necessarily, an active Government role.

Sophia Gaston: I have already addressed the procurement challenges, which I think are crucial. Then, the security clearances, classifications and so on—all those building blocks—are absolutely crucial, as is the investment community. I understand that there has been quite a lot of work in the British and Australian systems to come up with a list of projects that we would regard as priority projects—marquee projects, projects of record—that could move forward. Those have been delivered as part of the Colby review, so I would imagine that we will have a bit more grip coming out of that, if the United States is willing to go ahead with those projects.

Q38 **Mr Bailey:** I am keen to continue on that and understand how Government should draw funding into pillar 2, particularly with the cross-Government aspects that you mentioned earlier. Could you expand on that, please?

Sophia Gaston: There is money to be driven in from the investment community. Pension funds are a massive, trilateral asset, if you think about the Australian superannuation funds and our pension funds. We need the Prime Minister to lead a shift in the City, and I believe the



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Defence Secretary has already started this conversation, about ESG and the entire attitude towards defence investment—seeing it as a constructive, positive thing, not something to be avoided. However, there is a lot of work to be done to bring the investment community into the AUKUS tent, and for them to provide concrete guidance to Government regarding the risk profiles that are acceptable to them in terms of supporting this work.

I think a lot of this comes back to the question of the structure of the innovation ecosystem. I do not think that Government have full sight yet of the full spectrum of the innovation ecosystem, and all of the work that needs to be done. A lot of this is that kind of enabling, connective tissue function. That is where a lot of the dysfunctions are in the current system, so we need to come through those.

I am aware of time, but I would just draw your attention to the innovation challenges, because these projects have been designed to allow competitive bids around specific challenges that are relevant to AUKUS capabilities, such as electronic warfare. A decision has been made to exclude the primes from that, so you have just had SMEs bidding for those. I think we need a little more structure around that process. I do think that the primes could play a good role in taking on the burden of some of those accountability, delivery and due-diligence functions from Government, if they are brought in.

Q39 Mr Bailey: You have both touched on how some of the funding should be in place for the other Government Departments. For example, AI sits under DSIT, yet that has obvious linkages to Defence; the DIS maybe confuses that. We are trying to get your perception of how the other Departments' funding—for example, DfE's or DSIT's—should be structured to enable AUKUS.

Sophia Gaston: If it is a whole-of-Government enterprise, you can put different pots of money in areas where they are going to be most effective for delivery. It may be that a Department like DSIT has a bit more flexibility around its structures and its procurement relationships, which could be used as a way to provide the architecture for the different types of funding streams that need to take place.

On the DfE, we have not had time to get into a lot of this, but the fact that a lot of the innovation has gone from our university system into the private sector is a massive challenge for our sovereign capability. It has profound implications for AUKUS procurement. We cannot secure labs and there are not enough home students to work in them, and so on. It comes back to the Government having to think about the way it structurally changes our innovation ecosystem over the course of a generation.

If you had an AUKUS advanced capabilities research programme, you would use that to drive industry money into universities—which, by the way, currently have a funding crisis—so that you get that pipeline of home students into universities, conducting projects in the national interest and supporting advanced capabilities for AUKUS, with a guaranteed job at the

end. It is that sort of stuff. By the way, none of this is foreign to us: we did a lot of this in the cold war, so we have the architecture for a lot of these projects.

To get to your point, we should look across Government at what has worked well in the past and at the different bits of Government that are successful at doing things. If we really look at this as a whole-of-Government enterprise, not just a defence capability delivery project, there is a lot to be gained.

Dr Kaushal: I do not have a ton to add—my fellow panellist has covered it really well—but I will pick up the point about there being a significant amount of money that the industry could, in theory, commit. I reiterate that where the state can add the greatest value, at least when we are talking about the defence applications of these capabilities, is in the fact that it, and really it alone, has the capacity to test many of these capabilities under combat conditions. Right now, we really only do so when a capability is being considered for procurement.

It might be considered that the state should act more and more as part of the prototyping process for many of these capabilities, and that that is actually its greatest value-add, in terms of not only helping the capabilities to develop but helping companies to attract money towards capabilities by allowing them to demonstrate the use case. We have seen inklings of what that might look like in NATO exercises like REPMUS, where it was done on a small scale, but arguably that should be more of the model. Perhaps the three nations' militaries could do it on a trilateral basis.

Q40 Chair: Let us conclude on potentially extending AUKUS pillar 2 to other partners. You mentioned alliances and geopolitical considerations earlier. In its written evidence to us, the MoD has suggested that it is in favour of expansion in principle, but we have had some notes of concern from the likes of ADS and techUK. Ms Gaston, in your professional and expert opinion, are you in favour of expanding and bringing in partners such as Japan and South Korea? Or would you rather we hold fire on that until there is substantial progress on pillar 2?

Sophia Gaston: I do not think we can bring in other partners until we have some runs on the board. If we cannot get this to work and produce outcomes between the three most compatible, integrated and in-sync countries with the deepest homogeneity in terms of intelligence sharing, I just do not think it is viable as a proof of concept of the deterrent. We need to prove ourselves as a trilateral enterprise. I am hoping that the interest we have from other allies, whom I would like to see co-operating with pillar 2 on a project basis moving forward, becomes a sort of pressure valve to drive accountability and delivery among the three partners.

The interest from other partners demonstrates, again, why AUKUS cannot fail. AUKUS is a prototype for a new form of co-creation and co-development that we will have to shift to with a whole range of our closest allies. Let's get the runs on the board first with the three partners.



Q41 **Chair:** That is a very clear answer. Dr Kaushal, where do your views lie? Should we prioritise geopolitical considerations and alliance building, or would you rather we hold fire on bringing in extra partners until we have got some more runs on the board?

Dr Kaushal: Like my fellow panellist, I would be inclined to hold fire on bringing more partners on board right now. In addition to all the reasons provided, there are some significant outstanding issues regarding the compatibility of specific mechanisms for governance and the control of information across certain prospective partner states and AUKUS members. The obvious one is Japan, which still does not run a system of clearances that is strictly compatible with those of Five Eyes states.

Ultimately, AUKUS emerged because the processes of the three states, as well as the underlying trust, were great enough to allow them to collaborate on the most sensitive capabilities in ways that they could not do with even relatively close allies. The alignment of countries with Japan, in terms of things like their clearance processes, might occur in the medium to long term in a way that makes accession possible, but right now I see that as relatively distant. Growing the partnership risks diluting it.

Chair: Thank you very much. I think all Members will agree that it has been a fascinating and enthralling session that has set up our inquiry very nicely. Thank you so much, Ms Gaston and Dr Kaushal, for your expert evidence today. With that, I conclude today's Defence Committee evidence session.