

Transport Committee

Oral evidence: [Skills for transport manufacturing](#),
HC 1223

Wednesday 22 October 2025

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Members present: Ruth Cadbury (Chair); Steff Aquarone; Dr Scott Arthur; Mrs Elsie Blundell; Olly Glover; Alex Mayer; Baggy Shanker; Rebecca Smith; Laurence Turner.

Work and Pensions Committee Member present: Amanda Hack.

Business and Trade Committee Member present: Antonia Bance.

Questions 1–30

Witnesses

I: Matthew Ogg, Head of Policy, Society of Motor Manufacturers and Traders; Balaji Srimoolanathan, Director, ADS Group Ltd; Tom Chant MBE, Chief Executive Officer, Society of Maritime Industries; Jamie Cater, Senior Policy Manager, Make UK.

Written evidence from witnesses:

- [Society of Motor Manufacturers and Traders](#)
- [ADS Group Ltd](#)
- [Society of Maritime Industries](#)
- [Make UK](#)

Examination of witnesses

Witnesses: Matthew Ogg, Balaji Srimoolanathan, Tom Chant and Jamie Cater.

Q1 Chair: Welcome to this session of the Transport Committee, the first oral evidence session of our new inquiry into skills and Britain's transport manufacturing sectors. I hope to be able to welcome Antonia Bance, who is guesting from the Business and Trade Committee, although she has had a slight domestic crisis so hopefully will be here in time, and Amanda Hack is guesting from the Work and Pensions Committee, although she is dual-tracking today and may have to nip off back to her Committee.

We will be hosting two panels today. During our first panel we will hear from industry representatives about what skills are needed in transport manufacturing, how they might best be grown, and the role of national and local Government. On our second panel we will hear from representatives of two manufacturing and research innovation centres, and from Airbus UK. Will our first panel please introduce themselves?

Balaji Srimoolanathan: Thank you, Chair, and the rest of the Committee, for inviting us to give evidence. I am Balaji Srimoolanathan, director for aerospace and the space sector at ADS, the national trade body for aerospace, defence, security and the space sector in the UK.

Matthew Ogg: Good morning. I am Matthew Ogg, head of policy at the Society of Motor Manufacturers and Traders. We represent the UK automotive sector, including OEMs, supply chain and aftermarket.

Tom Chant: Good morning. I am Tom Chant from the Society of Maritime Industries. We represent the civil and defence ship building and supply chain sector, plus marine science and port infrastructure.

Jamie Cater: Good morning everyone. I am Jamie Cater, the senior policy manager for employment and skills at Make UK. We represent over 20,000 manufacturing businesses across the UK in all manufacturing sectors, including the transport manufacturing sectors that are covered by the scope of this inquiry.

Q2 Chair: Thank you very much. From the perspective of each of your different sectors, how is transport manufacturing changing, and how does that affect the skills that are required?

Balaji Srimoolanathan: We have a twofold challenge ahead of us in aerospace, and both are predominantly growth challenges. One is that we are faced with an unprecedented level of demand for our current aircraft programmes. Our backlog of orders for civil aircraft today stands at over 16,000 globally, and the UK has big exposure to that backlog. We are supplying into Airbus and Boeing; we also have some major engine OEMs in the UK, like Rolls-Royce. The backlog is worth over £1.5 trillion globally, and the UK has good exposure to that market share.



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The backlog will take about 10 to 13 years for us to deliver, and at the same time we are investing towards achieving net zero ambitions, but aviation is one of the hardest to abate sectors. We already operate at the edge of science and physics, and we are pushing ourselves further and further. Like I have said in many other panels, the best fuel for aviation is a fuel we do not burn. To do that we need significant skillsets, and we already have a significantly advanced skilled workforce, but we are looking for more.

As we look at the growth that is immediately ahead of us in terms of delivering, we do not have a demand issue—like I said, we have a significant demand that will take us 10 to 15 years to deliver—but at the same time having to invest in the next generation of capability requires significant transitional skillsets. The technologies we will be able to insert—and we want to insert to be able to achieve our net zero ambitions—are quite challenging, and we will have to do that in time and at pace.

So we have two issues: one is the volume of skilled workforce required to address the current ramp-up challenge we have, and the second is finding people with the right level of proficiencies and skills to enable us to innovate and industrialise the next generation of capabilities that we need to deliver to achieve net zero ambitions. I am happy to come back and elaborate on what those are.

Chair: I am sure there will be more questions. Matthew?

Matthew Ogg: The UK Automotive industry is going through a technological change that we have not seen for 100 years. We built our entire sector on the combustion engine and, as the Committee well knows, we are now on accelerated timelines to transfer to a technology that is new, innovative and different, and obviously in net zero that requires new skills. It is about the skills we need today but also the skills we need tomorrow, so there is a lot of foresighting work, including in different powertrain technologies, with batteries being the obvious one, but there are hydrogen systems and so on as well.

We employ about 192,000 direct employees and another 800,000 in the wider supply chain. That goes right down to the retail and aftermarket side, and requires the technicians we need to service those vehicles once they are in the marketplace. We are certainly seeing huge fundamental change at a pace that is very difficult to follow.

We had a survey through the Automotive Council skills working group in 2023 that suggested about 7% of vacancies in production roles at this moment, and the national average is about 3.4%, so we are really trying to get more people into the sector, right the way from school to later.

The one thing we need to be acutely aware of is that probably about 80% of our workforce today will still be in roles in 10 years' time, so there is a lot of re-skilling, retraining and upskilling in our sector. We need the



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talent pipeline for the new young talent coming through, but a lot of the work that we need to do in the next few years is about giving people the skills and tools they need to have a lifelong career in what we think is a really innovative, exciting and forward-looking sector. I am happy to elaborate further.

Tom Chant: One of the slightly different factors is the quantity of vessels that are built in the UK; you are looking at much lower volume with vessels, but a much higher value than for the previous speakers.

In a sense, we still need the welders and the pipe fitters. There are a lot of things that do not change, and the speed of change in alternate fuels in maritime is slower, so we still need those core skills to be trained and still be in a great career. When you look at the difficulties that people like BAE, Babcock and Camell Laird have when they have a new build, it is those skills that they are typically having to get from abroad.

But when you are then looking at the innovation side, which is more the question, we have the innovation, but again we have a small volume. There was one company in Plymouth that was desperate to find hydrogen engineers, and they are basically like hen's teeth, so it is about getting that balance. We need the systems to provide the right engineers further down the line for these newer fuels.

Jamie Cater: Coming from a cross-sector perspective we see a huge amount of commonality in the skills challenges between not just transport manufacturing sectors, but across manufacturing sectors as a whole. Digitalisation, sustainability and net zero are changing the mix of skills and occupations that are in demand. Those trends are driving the need for higher-level technical skills, particularly graduate-level occupations—mechanical engineers, electrical and electronics engineers, design and development engineers. Those sorts of professional engineering roles are increasing rapidly in demand.

But equally, as Tom alluded to, there are existing shortages in lower to intermediate-level manufacturing occupations that are critical to transport and other manufacturing sectors: welders, pipe fitters, fabricators and toolmakers. We see it from our own data, and you will have seen from the Migration Advisory Committee's work on the initial phase of the temporary shortage list that those occupations are already in shortage and for which demand is going to increase further. It is a combination of what you might regard as quite traditional manufacturing occupations and skills and those sorts of higher-level technical graduate level occupations.

There is a real challenge for the sector in grappling with an ageing workforce. The most common reason for people leaving jobs in manufacturing now is retirement. There is also a real challenge to strike the right balance between getting young people into the sector, whether that is graduates coming into those professional roles or people coming in on lower to intermediate-level apprenticeships, and the ability of people



already in, or perhaps outside, the sector to upskill and retrain at those middle levels as well. So there are challenges at all levels of the workforce at the moment.

Q3 Chair: You have probably all answered my next question, unless Balaji and Matthew want to add anything: of the advances in technology, which will be hardest to keep up with in the UK, from a skills perspective?

Balaji Srimoolanathan: From an aerospace perspective we have technology transitions happening at many levels, starting from the whole aircraft—how we design newer aircraft types that are more efficient—to propulsion systems that are more efficient, and to fuels and materials that we are going to use in the future, which are going to be very different. But all this culminates in how we put these things together.

We are not going to be using techniques from the 1960s on how we make planes. As we move into the future we are going to be enabled by automation and robotics, and new joining methods, for example. So as much as we need traditional skills like welding and material handling around metallics, we also need those advanced skills in composites and in how we put together newer materials or deal with novel fuels. We will probably hear from others later today—I believe one of the panellists mentioned this—about applications on hydrogens, and hydrogen as a novel fuel type.

We have a significant shortage of cryogenics engineers in the UK—people with advanced skills in cryogenics. We are looking at a whole range of skills, from basic entry-level skilled machinists and fitters all the way to PhDs in cryogenics. We find that we are short on all those aspects, and late in terms of the volume required that is coming through the academic system in the UK, to the factor of about five to 10 years in most cases.

Aerospace is a long-cycle sector: once we have these work packages in the UK we are talking about multi-generational high-value employment, which is something we want to secure and sustain for our ability to win future work into the UK. We have built a good industry on the back of our ability from the last 40 or 50 years and the investments we made then. The cycles do not come very often.

Skills are a fundamental enabler when international companies are looking to make choices about where they put future work. It is a major competitiveness factor for the UK. One challenge we have is to have to find all these skills, to make sure that we find the right people at the right time.

Chair: We are going to pick up on the mechanics of conversion. Matthew, did you want to add something?

Matthew Ogg: I suppose for us the priority areas are in zero emission vehicle manufacturing and autonomous skills. One of the places we will have to potentially play catch-up is our battery sector, which is starting



from a low base. It is a nascent industry, so obviously we are catching up with some countries that are already further developed in this space, and we need the skills provision to develop that.

There are also the new automation products we are bringing in. We are increasingly chasing the kinds of skills in software and other things that maybe do not typically get considered in the transport space, and we are now competing with sectors that maybe we did not traditionally compete with. That is probably the point to make: the skills we need are not just transport skills any more, but we will have to work with other technologies.

Q4 **Baggy Shanker:** What are the most acute skills shortfalls in the transport manufacturing industry? Maybe you could quantify that, as we have been doing, for the short term and then longer term.

Tom Chant: The acute skills in maritime would be as mentioned already: the mechanical and electrical skills. Looking slightly further forward within maritime, a workboat might be able to use an electrical solution, or a ferry might need a bit more range so you might need a fuel cell, and then you are into things like ammonia, methanol and hydrogen solutions, and nuclear is beginning to be an option as well. So we have skills in mechanical engineering, but all that training to move into this new space of alternate fuels, and a very much increased use of automation, is definitely an issue.

Balaji Srimoolanathan: We have been doing this exercise for a while, so we have identified over 300 occupations in aerospace so far, with over 900 associated skillsets and about 3,000 different proficiency levels that we are currently looking at. I have a long table of all these occupations; I am not going to go through them all, but the top 10 occupations by volume demand in aerospace today are design engineers, welders and technicians, MRO engineers, manufacturing engineers, supply chain specialists, configuration managers, data analysts, digital training specialists, artificial intelligence and machine learning experts, and material scientists. These are our critical skill shortages today.

We have over 10,000 vacancies in the aerospace sector in the UK today, and one third of those are hard-to-fill roles, requiring people with specialist skills. The top 10 skills are data analysis, system engineering, cryogenics—I have mentioned that—manufacturing engineering, model-based systems engineering, human factors, composites and so on. There are quite a lot of skills and occupations in shortage today; those are the top 10, but we have already identified over 300.

Jamie Cater: To follow up on Balaji's points, we have many of those occupations that Balaji has just described in immediate demand. I set out at the beginning those job roles like welding, toolmaking and fabrication. When we survey member companies, those are the roles that are currently in demand over the next one to three years, as level 3 technician or trade-skill-type job roles. Then, over three to five years



plus, you see that increase in demand for those roles that I was describing—those professional engineering occupations. We see a level of demand for those already and there is a high level of recruitment activity in those roles, but you see in that transition over the next five to 10 years or so the slightly reducing dependence on level 2 and 3 skills—those technical trade-type skills—and an increase in demand for graduate-level roles. That is how it is changing, and where we see those levels of demand.

Q5 Baggy Shanker: What impact do these shortages have on your sectors?

Jamie Cater: Across manufacturing—colleagues will be able to speak to their individual sectors—there are nearly 50,000 unfilled vacancies in the sector. Our most recent data shows that around three quarters of manufacturers who have attempted to recruit have struggled to do so because of a lack of the right technical skills. Skills England's work shows that 42% of vacancies in manufacturing are skill-shortage vacancies, which is significantly higher than the average across the economy.

Chair: Can I just clarify something? When you said 50,000 vacancies across the sector do you mean the whole of the manufacturing sector?

Jamie Cater: That is manufacturing as a whole, yes. We estimate that the economic impact of those vacancies being unfilled over the long term is around £5 billion in lost output, so there is a big prize there for equipping industry with the skills it needs to fill those vacancies and be more productive.

Q6 Baggy Shanker: To build on what the Chair said, do you know the number for transport manufacturing?

Jamie Cater: I do not know what the number is for transport manufacturing, but I am sure colleagues will be able to say what that number is for their individual industries.

Balaji Srimoolanathan: It is roughly 9,000 to 10,000 in aerospace.

Q7 Rebecca Smith: What you are saying about those numbers is really interesting, Jamie. I represent a constituency that includes Plymouth, so obviously I am fully aware of the skill shortage. If you have 50,000 already, the defence cluster in Plymouth thinks it needs 25,000, so we are talking really big numbers of people who potentially do not yet exist. I am interested in what work has been done to look at the pipeline coming through FE and HE institutions, even to know that in three years' time you might have some of those people. Or is it basically that we are kind of at ground zero, and we have to do something more in our skills sector to make sure that they are coming through the pipeline?

Jamie Cater: I would say we are in a weaker position than we have been historically, given the decline in apprenticeship starts over nearly 10 years now. Again, speaking across manufacturing as a whole, the number of engineering and manufacturing apprenticeship starts has declined by



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around 42% in less than a decade. There are many reasons for that, which I am sure we can get into.

What we see is a real need for FE colleges and independent training providers to be given the support and resources they need to maintain that really valuable engineering and manufacturing training provision. We hear lots of reports from members that local providers are struggling because funding levels are too low in terms of delivery, but capital funding for a sector like ours in the sorts of advanced technologies we have been talking about is also an issue. Those providers need up-to-date industry-standard equipment and machinery for apprentices to learn on, and sometimes they do not have that. If they have that and have been able to access the right capital funding and get that machinery in, they sometimes struggle to find the teaching staff who are able to use it and teach learners how to use it.

All these factors are contributing to a pipeline of apprentices and future employees in manufacturing that is smaller than it should be. From our perspective the priority is reviewing those funding settlements, funding bands for apprenticeships, capital funding for equipment and machinery for providers, and support for teacher recruitment and retention so that we can build the pipeline back up and reverse the decline we have seen in apprenticeships.

Q8 **Steff Aquarone:** They are really big numbers: 15 years and £5 billion. Is there another quite nearby barrier to delivering on that opportunity headroom if you take the skills problem away? I am interested in this from an economic growth perspective.

Tom Chant: Within our sector the shipyards need orders, and currently they are having to compete with international competition for UK taxpayer Government pipeline vessels. So there is an instant easy win here: get a drumbeat of orders into UK shipyards, which then creates the problem of creating the jobs and then needing the skills, which then drives everything that Jamie just said around local colleges needing support. We have members who specialise in aluminium vessels that have to invest in their own machinery because the local FE college will not do it and would probably struggle to get the teachers. Giving some sort of capital grant to that company to help would be a solution. Having more work would mean that the local college could probably get involved and do wider, better certification work as well.

Matthew Ogg: Obviously we are seeing a different position to Tom in that we have a consumer product, so for us the baseline is a healthy market. If we have a really healthy sector and the businesses are thriving, that means businesses are actually in a much better position to help themselves.

What we are seeing in automotive at the moment is a really constrained and very challenging market. This year our forecast for our production figures is that we will maybe make just short of 1 million vehicles. The



industrial strategy ambition is 1.3 million vehicles by 2035, so if we are to achieve the ambitions we have, the workforce and skills will require a big uplift, as you can imagine.

One of the biggest challenges we are seeing as well is in the supply chain SMEs. They do not have the bandwidth and capacity, and they do not pay the apprenticeships levy, so there is actually a real opportunity there to support that part of the market with Government support and targeted support for SMEs. There is an economic opportunity there, but they would really struggle with taking people off production lines for training, so it is about back-filling that support.

With the funding bandings, again, we would echo that the technology you need to train on now for EV for high voltage is much more expensive, and it is a lot harder for further education providers to do that. Taking one very quick example, we have a real shortage of heavy goods vehicle technicians. Ten years ago there were 100 colleges providing apprenticeship courses in that, but that has been decimated—it is now 34, I believe—so these are skills that we need and we know we need, but the money is maybe not reaching the places it needs to be. There has certainly been a bit of focus on that lately, so there is an economic growth opportunity, in that if we cannot get those skills, we will not grow. But again, in the market we are in right now it is very difficult for businesses not to just worry about their baseline and their bottom line.

Q9 **Steff Aquarone:** But if you have 15 years' worth of stuff that you could bring forward, in my maths that is a pretty good way of delivering economic growth. Is there another problem caused if you solve the skills problem, or is this an easy win?

Balaji Srimalanathan: We are looking at three different initiatives. Based on the timelines, for the here-and-now issue as some of my colleagues alluded to, we are competing with other sectors for the same skills. We have to be conscious of the fact there is a limited pool of talent available out there today. That could be early-career people, or it could be mid-career people in other sectors whom we want to bring into aerospace, but how we attract those people into our sectors is a big challenge. Of course, we have other issues around migration policy and things we could be talking about, which have made it slightly more difficult for us to access even immediate talent pools in Europe, given that most of the companies who operate in aerospace also have sites in Europe. It is slightly difficult now to bring in even employees from Europe on a short-term basis.

Ignoring those wider issues, attracting and retaining talent within the sector is our No. 1 priority. As a sector we have now launched the Industries of Choice campaign, which is completely industry funded. We were also delighted to see the MOD announce the Destination Defence initiative as part of the defence industrial strategy, and we are going to be tacking that on to what we are doing in aerospace as well. The primary priority there is to amplify the messaging around the range and



volume of opportunities available in our sectors, to make young people interested in taking up careers in our sectors, and to then attract the mid-career individuals we need to bring into our sectors. We know they exist in other sectors, and we might be competing with some others here, but our objective is not to lose people in engineering to non-engineering sectors.

We have some very capable engineers who have become MPs. How do we stop people from going into Parliament and keep them in aerospace? We have some around this Committee. We want to retain and grow talent within the sector, and both those are primary issues for us in the short-term, while we address the transition to a net zero future and upskill our current and future workforce.

Q10 Steff Aquarone: Am I right in thinking that if you solve some of those problems, that is up-front economic growth?

Balaji Srimoolanathan: Yes.

Steff Aquarone: That is not just distorting the order book.

Balaji Srimoolanathan: No. We are not waiting for more orders; our problem is supply. In aerospace we have a demand that is significantly more than what we can do today. Our problem is getting the supply chain to ramp up.

That Industries of Choice campaign is not about bringing more people to the larger companies; the focus is going to be pretty much on helping the supply chain: the SMEs. We tend to operate in clusters. If you have a large customer like an Airbus or Rolls-Royce that have thousands of small businesses around them, obviously when you have a graduate programme opening up everybody wants to go and apply to the larger businesses. Smaller businesses without that kind of brand pull obviously suffer as a result, in terms of attracting those exact same graduates who would be very keen to work for a larger business. What we do not want to do is lose them to alternative sectors outside of manufacturing. We want to bring them in and retain.

At the same time the large companies cannot take everybody from the high volume of applications, so we want to make sure that some talent is available to their suppliers who are immediately in the region—to SMEs within the sector—and not lose them to jobs in finance, IT or elsewhere. That is the immediate thing we can do, and that needs us to step up the narrative and amplification of messaging, which we are doing at the moment.

Q11 Steff Aquarone: Jamie, are we sitting on a huge economic growth opportunity that could be transformative if we solve the skills issue?

Jamie Cater: To follow up on some points Balaji made, one of the critical points across manufacturing is that we are lagging quite significantly behind international competitors in terms of the adoption of new



industrial digital technology. One of the primary barriers to that is the lack of the right technical skills to use that new technology so that it can be deployed.

- Q12 **Steff Aquarone:** That is counterintuitive isn't it? I would have thought that if there was a huge economic opportunity, it is because we have all the shiny new stuff and we just do not have the people to use it. Or have I misunderstood your answer?

Jamie Cater: Yes, it is exactly that: we cannot utilise and adopt it fully because we do not have the skilled workforce to be able to use it.

Steff Aquarone: But we have the tech and the IP.

Jamie Cater: In some cases, yes, but in some cases that investment is not made because of the difficulty in attracting and retaining those skills. Given the role of that technology in significantly improving productivity in the sector, the Government have rightly identified advanced manufacturing as a growth-driving sector in the economy, and investing in those digital skills has to be the priority to enable us to unlock that economic growth, as you say.

As Balaji says, the challenge is that historically manufacturers have been competing with other manufacturers for technical skills. Manufacturers are now competing with whole other service sectors and parts of the economy for some of those skills. It is a real challenge for us to support the sector to make it an appealing, attractive place for people to work, build and develop a career. We are making progress with that, but there is a challenge around perception.

Chair: We will come probably come back to the recruitment and retention issue.

- Q13 **Dr Arthur:** Balaji, this 15-year backlog is a great catch, isn't it—it has caught our attention—but the reality is that that probably did not happen overnight. I am an engineer—one of these awful people you referred to who went from engineering into Parliament; I think I'm sitting next to another—and for all my career people have been saying there was a lack of engineers of all types. How much of this is a recent problem? Have you always had a 15-year backlog?

Balaji Srimoolanathan: No, not really. It has built up over the last few years. We had a significant pause during the pandemic, but the ramp-up since then has kind of doubled down on the demand. That is with just 10% of the world's population having even taken to flying, so we are worried about whether the remainder of the world grows at the same rate. The demand is coming from the far east—from all parts of the world—and we expect that demand to be threefold in the next 20 to 30 years. The forecast is that we could see demand for about 40,000 to 42,000 aircraft over the next 20 years, so we have only realised roughly one-third of what could be the demand and we are already struggling to deliver.



That struggle is not at the higher levels of the supply chain; it is in the SME and the supply base, because it is about a multitude of issues, not just skills. Skills is one of them and talent is another. We have capex issues: if you have to deliver more, you are going to have to invest in buying more machinery, having more factory floor space and buying more material. The cost of doing business is pretty high. We all talk about electricity costs in the UK; we are not competitive compared with our neighbours in Europe, let alone the US. On top of that is our limited access to skills compared with a wider pool like in Europe or the US. So we have a shortfall in skills that is holding us back quite critically, especially in the supply chain.

Q14 Dr Arthur: I was going to ask about the supply chain, so thanks for bringing that in. You are all able to assess your supply chains and you understand the pressures on them—I think that's what you are saying. We have heard about the FE sector and how it could have better capital and could have lecturers. Maybe we should put lecturers in the FE sector more; maybe that might get them to stay in the sector. I do not know. What can businesses do to improve the skill flow coming into the sector? We know FE can do more, but what can businesses do?

Balaji Srimoolanathan: We are doing this campaign, like I said, and we are getting some of the larger companies to predominantly fund it, but it is going to be heavily focused on helping the SME community as much as the larger companies. It is about shifting the narrative and making sure we have the right programmes.

We also have some way to go in terms of reducing the barriers to entry within aerospace. We have a lot of requirements around qualifications and things, so we are working as closely as possible to get some of those applicants shared between the large and small companies. We are trialling a few things at the moment in terms of the 15,000 graduates applying for 3,000 places in Airbus. Can we pass the remaining 12,000 on to their suppliers? The skills needs might be slightly different, so how do we make that work effectively so it actually benefits the SMEs?

Then there are other factors such as the levy system, which I believe some of our colleagues have talked about. There has been an overall decline in the number of apprenticeship starts as a result, which has not exactly been seen as helping SMEs. There is a lot of underspend in the levy funds, which is supposed to be helping smaller businesses, but it has not really happened. Also it has forced a shift towards high-level apprentices, which is not exactly what the small businesses are looking for.

There is also a focus on upskilling existing staff rather than trying to attract new people through the pipeline, which has reduced the attractiveness of apprenticeship routes into the sector overall. You can see that acting very differently in different parts of the UK. Where you tend to have a larger concentration of larger businesses it seems to have increased the apprenticeship starts, but in other constituencies where



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there is a significantly higher level of small businesses it has declined, so it is clearly not working for small businesses as much as it is not working effectively enough for the large companies.

We need to do something differently when it comes to the levy system: introduce flexibilities, introduce the opportunity for companies to use unspent levy on capex. Also, we are not aligned on being able to use the levies in the devolved nations of this country. For example, if you are a large employer with sites in the devolved nations as well, you can only use your levy within England, so there are limitations around some of the policies on that.

Chair: Amanda has some questions about the mechanics of apprenticeship schemes, so I will leave the specifics around the mechanics of the routes into courses and higher and further education to Amanda. Let's stick with the supply chain, please.

Balaji Srimoolanathan: Okay.

Matthew Ogg: The bit of the question that really struck me was what businesses can do to help themselves. I wanted to draw out one example. The automotive sector has done a huge amount of work to try to attract people into the sector, an example being the Nissan Skills Foundation, launched in 2015 and targeted to students aged six to 18, to try to bring them into interactive workshops, getting them building vehicles out of Lego and all sorts of different things to try to foster that interest and desire to go into something like engineering. Ten years ago they targeted 1,000 students; now it is 100,000. Sectors are doing things; that is around Nissan's region in the north-east.

We are seeing a lot of regional inequality. There are a lot of areas where we have strong clusters. Our sectors in the north-east and the west midlands have very good, strong connections with the further education colleges, and our sector at least worked very closely with the Department for Business and Trade recently on an upskilling platform. This was piloted to try to have a platform for showing training providers and modular courses, to try to give people the skills we need in our sector that were quality assured, and basically linking people up who did not know what was out there. That will especially help the supply chain, because sometimes they do not know where to look. We were really pleased that that is going to be funded for the long term under the industrial strategy, and probably expanded to advanced manufacturing skills.

Business is identifying things, and it is working, but as you mentioned, we have had a shortage of engineers and people interested in STEM for a long time. Ironically, the level 7 apprenticeship for mechanical engineers is the most in demand in our sector, and that is one of the levels that has just been defunded by the Government. So again there is a counterintuitive point that we are talking about: advanced manufacturing, but some of the funding for advanced skills is being taken



away. For me it is counterintuitive. At this very moment in time we want to grow these sectors—the point was made earlier about whether we have the skills to deploy and exploit the technology—but these are advanced technologies, and you need advanced skills to do that. We want the pipeline at level 3 and level 4, but we also need 6 and 7 at master's level, and that is a real shortage when everyone else globally—and we are global sectors—is competing for the same amount of talent from a very limited talent pool.

Q15 Dr Arthur: What about Government policy? We have talked about FE and apprenticeships, but is there anything more the Government can do?

Jamie Cater: One of the things we have been keen to explore is the role of the tax system.

Dr Arthur: Do you want to pay less?

Jamie Cater: Colleagues have set out the challenges that businesses across all sectors are facing in terms of the cost of doing business, particularly the cost of employment. Manufacturers want to provide good, well-paid work, but there has been a significant increase in the cost of doing business and the cost of employing people.

Manufacturers really benefit from the incentives and elements of the tax system that support investment in capital—things like R&D tax reliefs and R&D tax credits—and help them to invest in equipment and machinery, and those sorts of innovations. What they do not find is the same level of support for investment in human capital. There is some support in the tax system—corporation tax relief on work-related training—but we do not know how valuable that is, and there is no data available from the Treasury on the value of that relief, how many employers use it, whether employers are using it, how they are using it, what training that is being used to fund and so what the return on that investment is.

What we would like to see from the Treasury is an assessment of that existing tax relief: how effective we think it is in incentivising employers to invest in the sorts of skills that we want them to be investing in, and whether there is scope for enhancing that relief, in a similar way perhaps to an R&D tax relief, which would particularly help them to upskill and retrain staff.

On the point colleagues were making about what businesses can do themselves, when it comes to upskilling and retraining we see a bit of an inconsistent patchwork in terms of Government policy on support for upskilling and retraining options. That is improving with some of the steps this Government have taken, but around 70% of manufacturing companies are using internal training modules that they have developed and delivered themselves. When we think about the scope for a tax relief, that might be the kind of thing we are looking to help manufacturers to do more of to give them the skills they need and encourage them to do more of the valuable stuff they are already doing.



Matthew Ogg: What about the flexible use of the levy funds we already accrue? I know that the plan is for a growth and skills levy, which we support, but it has not been implemented yet. That would allow us to spend up to 50% on short courses and on non-apprenticeship training, which we think could be really well deployed.

To go back to support for the supply chain and SMEs, another element of that in our sector is if OEMs have funds they have not deployed or have a running underspend, how can they more easily transfer that down their own supply chains to help those businesses that really struggle either to afford training or have the time off the line to do it? That has not been available to us at this point in time, but there is an underspend for a number of businesses in the levy that is already sat there ready to use, so if we could find a way to deploy what we already have, that would be a really good way forward.

Q16 Dr Arthur: The levy is essentially your money, so maybe you should have more say over how it is spent.

Balaji, you spoke about how in this place called Europe there was a better flow of skills across the continent, and how that made our life a bit easier for our competitors. Is the UK immigration system working for us in the sector just now?

Balaji Srimoolanathan: As an international sector I do not think it is working well.

To go back to your previous question as to what Government can do, we are going in the right direction with the industrial strategy. We have identified some priority sectors. I would say there are three things that the Government can do. First, actively promote and champion the industrial strategy sectors. Piecemeal policies are great, but if you do not champion them as the priority sectors for future drivers of economic growth for this country, from a skills point of view we are not going to be able to attract the right talent into these sectors. So there is an active role that the Government can play in terms of championing the sectors.

Secondly, make sure policy works for the employers. Skills is not Government's job by itself—ultimately, we are trying to do skills to enable employability, and we are all here waiting to hire more people—but make sure it works for us. Like I said, the apprenticeship levy and the other things are not exactly designed to work at the moment, so they need to work better.

Thirdly, there needs to be better co-ordination across Government Departments from a skills-delivery perspective. We have seen shifts in terms of ownership from DFE to now DWP, and with Skills England, but there is opportunity to engage better across Government and with industry.

Q17 Dr Arthur: I hope all that is happening, particularly the first point about promoting itself—



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Balaji Srimoolanathan: I will put a big wrapper around that: we need to do all of this at pace.

Dr Arthur: The gap in the industrial strategy, though, is that the Government do not control the university sector so they are basically teaching what students want to learn, rather than necessarily what the industry needs. Is that a stress as well?

Balaji Srimoolanathan: Yes. We are working very closely with a set of universities in aerospace called the UK Aerospace Research Consortium. There are about 14 different universities with which we do a lot of collaborative research and development, but also sponsor a lot of centres of excellence within those universities to train PhD students and so on.

What is not happening is the funding cycles available to industry versus what is available to academia, for example, or they are in different time frames. It takes six months to get an industrial application through the ATI for an R&D project; the same process for academia takes two years to get through EPSRC or any of the research councils. There is misalignment, and we find it really difficult to work together where we are naturally able to or want to collaborate, so there are issues there that need to be resolved.

Like I said, Government Departments that have economic growth as an objective need to work together with skills and DBT. Some of my colleagues here mentioned that we also need the MOD to work together with Departments. We need DSIT, which is funding research, and all the research councils working together. But we also need that to extend across to enterprise. You are doing this for industry, and we see that engagement today as having lots of room to improve, and we need to do it fast.

We take years to do curriculum development; the rest of the world does it much quicker than us.

Chair: We have only done our third question and we still have quite a lot to cover. I am also conscious that there is much overlap from our transport perspective with what other Committees have and will be doing in the much wider skills arena. I notice our two colleagues nodding. We will move on to Rebecca.

Q18 **Rebecca Smith:** We have already discussed the fact that the skills requirement for the transport manufacturing sector are not unique—that they are cross-departmental—but there is a question around whether it is realistic to believe that we can make better use of overlapping skills between transport manufacturing and other manufacturing sectors. How far do you think that is true? We have kind of covered it, but is there anything extra you want to add?

Chair: Otherwise, we will move on.



Tom Chant: We have not mentioned the defence sector, and if you go to the MOD at the moment we are told we are on a war footing, basically. So that whole defence resilience piece that Balaji referenced in respect of Destination Defence needs to be considered in all these discussions as well. That is about being ready for war by 2030, basically.

Matthew Ogg: The Government should continue to do mapping work to actually understand where there are overlaps. Economic supply chain resilience is in vogue at the moment for obvious reasons. We already know that we have a lot of overlap between aerospace and automotive, and a lot of transferable skills, but sometimes it is about knowing where either of those vulnerabilities are, or some of those places where we would like to have specific skills or talents that maybe we could work more closely on between Government and different Departments. On the point about different Departments having different remits, I do not know whether they are always as joined up. We have obviously yet to see whether moving skills to DWP can foster that overlap.

But we already work together and we have suppliers who supply into lots of different industries. The added benefit of that is diversity of who you are supplying into, so if there is an economic shock or something that surprises you, you have more in-built resilience in the UK supply chain, which has been really under strain because of energy and other costs associated with doing business at the moment.

More could be learned about the overlaps. We have a good sense, but that mapping exercise and foresighting of future needs, particularly in our sector where the technology demand is changing, means that dependencies in the adjacent sectors were perhaps more obvious previously. I wonder whether there are new sectors—defence being a key one at the moment—where there are opportunities to use skills that we already have in different ways or, indeed, to get orders and demand from other sectors that support transport skills. Mobility underpins everything and logistics underpins everything, so how do we make sure we understand it? If we understand it better, how can we then deploy policy solutions that will help?

Q19 **Rebecca Smith:** Do you think business can do more to look at how one manufacturer could be supplying into more industries? I am thinking about Babcock, for example: it is often doing the defence piece. Is there a way that business could be even more creative? Maybe they are already doing that.

Matthew Ogg: Absolutely, and at SMMT at least we are doing that: we are working closely in a competition-compliant way with chief procurement officers. There are limits to what we can do because of the commercial arrangements of the sector, but we are trying to identify some commonalities and be more aware.

Recent events in our sector have obviously thrown into sharp relief some of the challenges of where there are dependencies or where there are



businesses that are hugely reliant on one customer, for example. Most businesses often only have the visibility of the next tier down, and one of the things we are trying to learn more about is what we would call tier 2 to tier n. You have a good understanding of that direct contractual relationship, but the visibility of what sits below that is often harder, and obviously people are keen to protect those commercial relationships. We are working every day to have a better understanding and transparency throughout the supply chains, but there are limitations that Government could maybe help to unlock or do the mapping where businesses could not hold or look at that information.

- Q20 Rebecca Smith:** One of the things I have experienced in the south-west is that often with skills, particularly in FE colleges, the large employers effectively contract the college to provide all the skills that they need, which can then squeeze SMEs out. We obviously know that they are part of the ecosystem, particularly for manufacturing in this way. What do you think could be done differently to ensure that the big players are not necessarily inadvertently—or perhaps deliberately—hindering the skills gap that we have on the SME front?

Matthew Ogg: It is a fair question, but we would also say that a lot of those large employers train the people who end up working in the supply chain, and there is a lot of skills transference.

On my previous point about allowing some of the bigger companies to help their own supply chains, we do not want to see challenge in the supply chain because that ultimately leads to the risk of production stoppages at the high level. We have a vested self-interest in that: an unplanned stoppage in automotive can be £1 million an hour in cost. You can see how quickly that adds up, and that is something we want to avoid at all costs.

It is about having some flexibility, and those national platforms that allow SMEs and others to find the skills or find the training providers they need. They often do not have dedicated HR teams or, as I said, levy funds. It is not so much that there is a squeeze but that there is a lack of resource, and actually that is where, in our sector at least, the large employers can be facilitators and help to support the SMEs. It is about giving them the toolset to be able to do that, but I appreciate that there is always a squeeze because there are not enough people for us to train at the moment.

- Q21 Laurence Turner:** I have some follow-up questions about younger people coming into the industry. We have received evidence that there is often a common misconception about the nature of engineering and manufacturing that is perhaps outdated and a hindrance to recruitment. Does that chime with your experiences? What can be done to shift that perception?

Jamie Cater: It absolutely chimes with our experience, and that exists at many different levels. Manufacturers often experience challenges, for



example, in going into schools and being able to speak directly to pupils and schoolteachers about what employment training opportunities in a sector such as manufacturing might look like. There is the extent to which those technical and vocational routes are actively promoted in the school system as a viable route alongside academic routes. In some ways, those are the slightly easier ones to address through policy and industry activity. The harder one is probably parents and how we reach them.

The main thing we have done as Make UK is to introduce National Manufacturing Day in the last week of September, which has run for the last few years. We have member companies across the country open their doors for the day to bring in groups of school pupils, teachers, parents, jobseekers and people working as work coaches in Jobcentre Plus, to give them that first-hand experience and exposure to what those opportunities look like and dispel some myths about manufacturing being dark, dirty and old-fashioned factories and workplaces. We have all spoken this morning about the deployment of new technology and these really advanced, clean, exciting, innovative workplaces. We really want to help to facilitate those first-hand experiences to change some perceptions.

Chair: A question I always ask about those types of initiatives—because we all see them in our constituencies—is: who measures their long-term impact? How many of those young people who do that visit in year 8 or 9 or whenever then go on to work in that field, as against those who did not? I need to move on but if anybody has measurable evidence of success on that, that would be great. Laurence, are you done?

Q22 Laurence Turner: I have two quick follow-up questions, if I may.

Mr Cater, I was glad you talked about secondaries because so far we have mostly talked about FE and HE. Local manufacturers often need to reach people before FE stage. An employer in my constituency—AGI Group—has a good pre-apprentice scheme. Do you think there is a case for a more structured link between industry and secondary schools to give exposure to those direct work opportunities?

Jamie Cater: Yes, absolutely. I would almost go a step further and say we want to engage with primary schools as well. It should be as early as possible, engaging with young people to shape their perceptions and understanding of what different job roles and opportunities might look like. That link between industry and pre-16 education is really important; we want to see more support there.

There are lots of opportunities with what the Government are doing on things like work experience, reforms to the school system, careers education, information, advice and guidance, which can really support that. We have a real opportunity at the moment to build on that.



We particularly think that the UTC—university technical college—model is a good example of embedding technical and vocational routes into the pre-16 education system. We would like to see more support for UTCs and that model of education across the country.

Q23 Laurence Turner: Balaji, everyone has signed up to a principle of using these routes to attract people from a more diverse range of backgrounds into the sector. We have heard—to mark Ada Lovelace Day, for example—that engineering and computing are perhaps the courses where the gender divide is still stark. If you have anything to add on that point, that would be helpful.

Balaji Srimoolanathan: To go back to your previous question, we are looking at attracting a diverse range of candidates: young people, mid-career and all sorts. From a sector perspective, pretty much every large employer in the sector does a significant level of school outreach activities, everything from very young kids to actually even influencing the influencers—teachers, parents and so on—so we get young people supported to make the right decisions when they have to do that and to pick up engineering or non-engineering jobs within our sectors. Like I said, we have the Industries of Choice campaign.

We run a number of bursaries to help young children from underprivileged backgrounds to pick up some careers. We run a bursary currently funded by industry called the Jon Dennison bursary. We also have a careers-focused thread running through Farnborough International Airshow. Throughout the week we bring a number of school kids into the show so they can actually touch, feel and see the things we do. We also do the UK rocketry competition, which is a national-level schools competition where we encourage young kids to build rockets, they go and fly them at airshows and the winning team gets a prize. We do lots of initiatives like that that we put a lot of effort into, and there are individual, employer-led initiatives around the country throughout the year.

On your second question, in terms of diversity of roles, we have a long way to go. Our workforce mix is still quite heavily imbalanced, but in aviation and aerospace we have the Women in Aviation & Aerospace Charter, which is doing some phenomenal work. We are setting some objectives; I am actually on the steering board of that. We are trying to improve representation from various groups into the sector. We have lots of ERGs within our employers. Through the charter activity, we are deliberately trying to drive change and make the sector more appealing for people from all backgrounds and diversities of thought.

Q24 Chair: We are interested in what actually works—

Balaji Srimoolanathan: We are seeing it growing.

Chair: We know what everybody is trying because we all get those presentations.



Balaji Srimoolanathan: We are seeing the numbers changing. We are tracking it, and it is slow, but we are working and staying on it.

Laurence Turner: If you have any written evidence on that, it would be helpful to have it.

Balaji Srimoolanathan: Yes, we can sort that out.

Q25 **Antonia Bance:** My apologies to the panel for missing the first part of your evidence. I am interested in your existing workforce and the adults who do not work for you but might choose to work for you in the future. We know that manufacturing faces a number of challenges, such as net zero, particularly in automotive but also across manufacturing. A number of these sectors are also named as priority growth sectors in the industrial strategy. The challenge of raising productivity is important to us all.

We also know that many existing companies do not invest enough in their staff training. Do companies in your sector not invest enough in their staff training? Should they do more? If they should do more, what are the barriers to that? What are companies in your sector doing to ensure that there are the right skills in the existing adult workforce for companies in your sector, and again, what needs to change? The two questions are on your existing staff and on adults who might choose to come to work for you—and I am not talking about young people; I am talking about adult career changes. I would appreciate your thoughts.

Balaji Srimoolanathan: Training spend is important for us. There is a substantial level of training that is going on within the sector, but for SMEs that is difficult. We are a capital-intensive sector; like I said, the cost of doing business is already high. The levy system is not naturally working that well. So in that mix, training spend tends to take a backseat if you are an SME, because you do not have money left to do that. We have to improve on all the other aspects so employers can then free up the cash required to upskill and retain the employees they need to retain and upskill. Particularly for SMEs, there needs to be support available to do that.

Q26 **Antonia Bance:** Does that mean the Government? Or should it be down the supply chain?

Balaji Srimoolanathan: If we can allow flexibilities in the levy system to allow some of that allocation to be flowed down to SMEs to allow them to upskill, we will see a lot more training provision within the SME community. At the moment, that is not happening.

Matthew Ogg: I will try to add a couple of differences, particularly maybe focusing on career changes and return to work, which might be of interest. There are a couple of programmes that I would highlight. For example, in our sector, we do something called STEM Returners, which is a 12-week reskilling, upskilling programme that brings people back into the workforce who have had a career break. We have been really pleased



that that has seen a really high percentage of women return to the workforce, particularly after maternity breaks and so on, and 96% of on-programme returners have secured a permanent position on return. We have only had about 600 people so far, but it is growing and is a proven track back in for people who already have the skills but have been out of the workforce and are trying to find their way back into full-time employment.

Another programme we have done touches on the diversity points a little. We have a charity in our sector called Mission Automotive, which is bringing veterans with highly in-demand skills and transferring them from forces veterans back into the workforce. We have seen about 2,000 people land in permanent roles from that. That charity is working with us, OEMs and others who signed the Military Covenant to help to take existing skills forward.

A great example we have seen is people dealing with hazardous and high-voltage materials. The language used in the defence sector versus what we use in the civilian sector is very different, so we are helping people to translate their skills back into the sector to plug some skills gaps we have into really high-demand and challenging roles. But it is not exclusively in that; there are people who have taken roles in every part of our businesses.

On upskilling, we talked earlier about how we agree on the lack of flexibility in the levy. We want modular short courses; we need that in our sector because of the technological change. So if we are able to really accelerate the industrial strategy commitment on the growth and skills levy, for example, that will already unlock funds that are there. We are working closely with education providers to have those kinds of skills and courses that we need, because obviously they are changing rapidly, but again, that is something that we are looking at in our sector. We are reinvesting because we have to; we have no choice. The technologies we are building and the skills we need are different now.

Q27 **Antonia Bance:** That is my worry. A lot of people in my part of the world have skills that we are not going to need in 20 years' time in motor manufacturing and repair. Particularly with the challenge of net zero, we need to make sure that we have the right mix in place to get people with the skills they need to continue to earn a decent wage.

Matthew Ogg: We absolutely support that and anything that the Government can do to help that. Again, we talked earlier about the patchwork of provision and things like that. We have worked with Government on a platform that the industrial strategy will roll out to help link people up with training providers to give them the skills that they will need. Obviously we hope the funding is then in place to support that. We hope the market moves quickly and that those will change.

A point was made earlier that we will still need to not get lost in the conversation; we will still need some traditional skills. There will be part



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of a vehicle, for example, that is not the powertrain and will still be a door, a bonnet, the glasswork and things like that.

We recognise some skills are changing. Eighty per cent of powertrain competencies will change in the next 10 years, but there are other elements that do not change, and we still need to bring people into welding, toolmaking and other things as well. Attracting people into older, more traditional jobs—not just the new and shiny—remains a challenge, but we are up for it.

Tom Chant: On the shipbuilding side, we are talking about very low volume but very high value, so actually having a regular order book is the key to doing anything with existing staff. There is no point building a new ship and then letting everybody go because you do not have the drumbeat of order. I will say it again: there is a Government pipeline of vessels that could really support the keeping of existing staff, and then you have the problem of retraining them and everything. I agree with the guys here.

People like Cammell Laird have very oversubscribed apprenticeship schemes, so the demand is there locally. They are very well-regarded jobs that are well paid within the region and lead to a lot of ongoing jobs and career options in the future, if you are in a successful apprentice.

Jaime Cater: I agree with everything colleagues have said. Your question was on whether employers are investing enough. We know that employer investment has gone down and we need to address that pretty urgently. There are lots of barriers we have talked about this morning, including the general cost of doing business and the impact on employers' budgets for skills training.

I would come back to the point about the training providers' capacity to provide the training that employers want and need to invest in. We spoke a bit earlier about the extent to which manufacturers are developing and delivering their own internal training to upskill staff. For people retraining, they will often be using apprenticeships to do that either at those level 3 and technician-type roles or above. We know that providers have struggled with funding plans not being revised, capital equipment not necessarily being up-to-date, and difficulties for those providers recruiting and retaining teaching staff to be able to deliver that training. Often we find manufacturers who want to invest in training but cannot find a provider local to them that has the capacity to deliver it. That is a significant barrier.

In terms of what business is doing, as I say, there is that internal delivery of upskilling and retraining. When it comes to provider capacity, we see lots of really good and interesting stuff that businesses are doing to second staff, for example, to their local provider to enable that off-the-job training to happen. It is not always easy. These businesses have existing shortages of skilled staff, so it can be a challenge to let someone go to do that. But where they are able to do that, it is great for that



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business, that employee and the learner to be taught by someone who has that relevant, up-to-date industry experience.

The post-16 White Paper that came out this week refers to an industry exchange. That is a really excellent proposal and we would be really keen to support that to be implemented.

Chair: Sadly, Amanda has had to go. She was going to ask about apprenticeships, but you have all touched on them, the weaknesses in the current system and the potential improvements. We will now move on to Government collaboration.

Q28 **Olly Glover:** Something we have received in written evidence and that you have already touched on is the fact that so many different Government Departments have a finger in this pie. I suppose that piemaking is manufacturing in a sense, isn't it? From your perspectives, how effectively are those Government Departments working together to get the skills policy and the progress on skills that we all want to see?

Balaji Srimoolanathan: I might be repeating myself here, but there is room to do a lot better. As we have just realised, this is not just about business growth but enabling the right skills at the right time and making sure that there is also a sufficient Government role in championing the sectors that we have identified through the industrial strategy.

At this point in time as representatives of industry, we do not feel it is working well together. While the industrial strategy sets the overarching direction and there are shifts in the ownership of skills delivery within Government, we would like to see the industry engagement not drop but improve. While Government are trying to resolve how they are going to work together, we also want to see the continuity of engagement across into industry.

I would also re-emphasise my point around the alignment with the devolved Governments. We understand skills is a devolved agenda but we cannot really be inconsistent across the board. We would also need to see the levies being flexed to allow us to spend in the world regions, and this can only happen through dialogue across Government. We would like to see something more than just a very light-touch arrangement of the Departments coming together to work on skills. We would like to see a proper framework on how Government will address this cross-departmental agenda to support industry on skills.

If there is a strategic plan to help deliver national skills shortages leveraging every Department and its ability, then we would like to see a framework put out that will reassure industry as to how Government will engage among themselves but also with industry through a process. We do not see that sufficiently at the moment. Engagement is pretty weak into industry and we would like to see more of that.



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Matthew Ogg: In automotive, we have the Automotive Council, which is a joint Government-industry body, and under that we have a skills working group, which has been really helpful for us to try to bring together particularly DBT. But again, the patchwork of Departments with an interest in this sector has been a persistent challenge.

We have been really pleased that Skills England has shown interest in joining that group and we are obviously really keen to understand and optimistic about the opportunities for Skills England. But again we want to see a national programme everywhere, so our manufacturers have to engage with lots of different systems and parts of the system, which can make it quite confusing, so that single point of contact would be helpful.

I completely echo Balaji's point that we now have an industrial strategy and an advanced manufacturing sector plan. Could there be a skills plan that sits underneath that looks at the foresighting, shortages and what we might need? That reference point of where to go and where to start can be quite complex. I appreciate that changes have happened again with the move to DWP, so it is difficult and too soon to prejudge how that may or may not be helpful.

Certainly in our sector, the challenge has often been that Government rightly have a strong interest in under-18 and further education skills and so on, but workforce skills, upskilling and talent is again something where that focus—but also the golden thread that runs through that—is potentially broken up by Department. Again, it is important to find a way to join those together when we want to encourage people into the sector from the earliest ages so that they are excited about our sector.

We are really proud that we build amazing vehicles and really cool things. It should be easier for us to attract into our sector, but it is about the perception of what is available, and often the catchment areas for our sector still tend to be quite regional and clustered. Getting people to come in from diverse backgrounds and different places continues to be a persistent challenge. As I said, that lack of a national framework and a really good one-stop shop for industrial strategy sectors, for example, does not yet exist, but we would be really willing to co-create it.

We have a very good relationship with DBT, but relationships with other Departments have ebbed and flowed over the previous years, depending on interest, funding availability and the national discourse, whereas we are doing this all day, every day. We are hopeful that the new architectures will be helpful, but we also want them to engage with us and be proactive. There is a real opportunity, but that has previously been a barrier.

Tom Chant: In the maritime industry, we are underpinning the UK's trade, energy and data. There is the National Shipbuilding Office, which was stood up in roughly 2021. That helps to cohere activities across the DFT, DBT, MOD, DFE and a bit of DSIT and DESNZ. There is a shipbuilding skills delivery group within that, but it is not funded directly



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to actually create programmes and support. It can do a report but it does not have the heft to direct the track. It is almost like a strategy—it is an idea. Because we are covering the civil and defence side within that National Shipbuilding Office work, we could really do with some greater input and steerage on the skills issue.

Jamie Cater: I agree with all those comments. On Skills England, the initial work it has done has been pretty good. When we look at the industrial strategy, it has done reasonably well in going between Departments. The consistency between Skills England's assessments of the skills needs in sectors such as advanced manufacturing and what is reflected in DBT's work on the industrial strategy and advanced manufacturing sector plan is pretty strong.

We need to see a bit more genuine, cross-Government engagement from Skills England. We have made the argument previously—your colleagues on the Education Committee have reflected this recently—that Skills England should be an independent agency rather than tied to a specific Department. That would make it easier to be genuinely across Government, and we would also like to see that strong start and employer engagement continuing.

I do not want to pre-empt any other questions around local government, but there is an interesting question here about co-ordination, not just within national Government but between national, local and regional government. As was alluded to earlier regarding UK Government and the devolved Administrations, we want to see more consistency and predictability between the four nations for manufacturers and their supply chains to operate across borders within the UK.

While to an extent we support the devolution of skills policy and particularly adult skills, there is some nervousness from manufacturers around the potential for that to create a bit of a postcode lottery and inconsistency between local areas in approaches to skills. Lots of manufacturers—particularly the large ones but some others as well—will operate in different parts of the country across multiple sites. We are concerned about the risk of inconsistency and would want to see some policy and funding remain at a national level so there is that level of consistency and predictability across different parts of the country.

Chair: You have reminded me of the regional business partnerships, or whatever they were called.

Q29 **Antonia Bance:** I did not quite understand the point you were making. Is your point that your engagement with your sponsor Department—the MOD and DFT—at the big level is difficult? In the transfer of functions from IfATE to Skills England, many of us were worried that that detailed business engagement in the suite of qualifications might fall aside a little, and I know that was really valued. Is that your point? Or is bigger strategic pieces your point?



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Balaji Srimoolanathan: The engagement with our sponsor Department has been fantastic; we cannot ask for more from DBT or other Departments that we work with. It is particularly with DFE and Skills England. We are yet to see on DWP where there is more room for engagement.

In terms of Skills England's employer panels, we want that to be better represented with employers and see more engagement there. We want to see how DWP plans to engage with industry. As these movements happen within Government, we want to see continuity, not drop-offs, because we lose time. We take two to five years to come up with curriculums and we do not have the time.

Q30 **Chair:** I am going to just use the Chair's prerogative to ask one last question, and you have one sentence to answer it. We are the Transport Committee. If we do not get this right, what is the potential impact on transport users?

Balaji Srimoolanathan: From an aerospace perspective, we will not be best positioned to win future work in the UK.

Chair: What will that mean to the passenger?

Balaji Srimoolanathan: That will mean a significant restriction on our growth. We now have the opportunity to double our turnover in this sector, which is already about £35 billion a year. We are talking about multi-generational opportunities that do not come around too often.

Chair: I am just talking about the impact on the passenger.

Balaji Srimoolanathan: On the passenger, globally we will fail to insert UK-led technology so there will be an economic impact to the UK for generations to come.

Matthew Ogg: What it will do is if we have all the skills, it will help us to maximise and accelerate the transition to net zero because we will be able to build, operate and service the vehicles and position the UK as a world leader in those new and emerging technologies in zero emission, automation and autonomous. It is an opportunity loss. We are a global industry that competes. We want the UK to be at the front of that and we need the skills to do that.

Tom Chant: We saw in covid what happens when ships do not work: you do not get pasta and loo paper. If we cannot service our own Royal Navy with our own engineers, then what?

Jamie Cater: I agree with Matthew that if we do not address the skills challenge, we risk slowing our progress to net zero, reducing access to valuable consumer goods and impacting our national security and defence capabilities.

Chair: Thank you very much to all our witnesses. We skipped over a few



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things. You may want to say more on local and regional government collaboration and whether the modern industrial strategy is fit for purpose or anything else, so please write in.

That brings our first panel to an end. Thank you very much for the time you spent giving evidence today. I am going to suspend the meeting for a few minutes while our next witnesses take their places at the table.