

Scottish Affairs Committee

Oral evidence: [Securing Scotland's Future: Defence Skills and Jobs, HC 1442](#)

Wednesday 14 January 2026

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Members present: Patricia Ferguson (Chair); Dave Doogan; Mr Angus MacDonald; Douglas McAllister; Susan Murray; Jack Rankin; Elaine Stewart; Kirsteen Sullivan.

Questions 1-46

Witnesses

[I](#): Warrick Malcolm, Director, ADS Scotland; Andrew Kinniburgh, Director General, Make UK Defence.

Examination of witnesses

Witnesses: Warrick Malcolm and Andrew Kinniburgh.

Q1 Chair: Good morning and welcome to this meeting of the Scottish Affairs Committee, on securing Scotland's future and defence skills and jobs. Welcome to our witnesses; will you both please briefly say your names and your job titles or roles?

Warrick Malcolm: My name is Warrick Malcolm and I am ADS Scotland director. ADS has just shy of 2,000 members across the whole of the UK. In Scotland, we have about 180 members, give or take. Those members include all the well-known primes that you know and love, including BAE Systems and Leonardo, but 95% of our members are in fact SMEs, and we are very lucky to also have a whole bunch of colleges and universities in membership as well.

Andrew Kinniburgh: Good morning. My name is Andrew Kinniburgh and I am director general of Make UK Defence. We are part of Make UK, which is the voice of British manufacturing and a national business group that represents the whole of manufacturing across the UK. Make UK Defence has 800 members right across the UK. We have a large regional team, based from Perthshire down to Cornwall. Similar to ADS we have a wide range of members from the very largest, such as BAE Systems, Babcock and Rolls-Royce, down to a huge number of SMEs across the whole country. We have about 50 members in Scotland. I am a very passionate supporter, even though I live in Hampshire.

Q2 Chair: We will forgive you that one, Mr Kinniburgh. How would you characterise the significance of the defence sector to Scotland?

Warrick Malcolm: I have been in this role within ADS in Scotland for 20 years and I have never seen a more buoyant time for all our sectors. It is important to talk about aerospace, defence, security and space, because, as I am sure you appreciate, defence invariably is active in each of those sectors and in the companies across all those sectors. We are very fortunate that in the run-up to DSEI, we produced our latest facts and figures, so I can bombard you with as many stats as you want. We are looking at £3.7 billion in value-add to the economy. We are looking at 55% growth between 2020 and 2024, £9 billion in turnover and 29% growth over five years.

Across all measures, I have never seen a more buoyant sector, and not only looking back. If we look forward, in anecdotal conversations with companies the growth projections they are all looking at on current trends are fantastic—there is no doubt about it—across all those sectors. That is before you even start looking at the potential impact of going to 3.5% of GDP as defence spend. ADS has modelled what that could potentially look like in terms of jobs, and that alone could look like 85,000 new jobs within defence, and Scotland is uniquely placed to



benefit from that. We would be at the higher end of the benefit and that would mean, for Scotland, 13,000 new jobs.

There is a fantastic baseline already in Scotland, and growth over the past five years that would be the envy of anybody. Projections going forward, even on current trends, are fantastic across all the sectors. If we also get that uplift, there is an even better story to tell.

Andrew Kinniburgh: I certainly will not try to out-nerd Warrick on the numbers, because he has a great set of statistics there. I will focus on a couple of specifics. If you look at a company called QinetiQ, just outside the FTSE 100 on the stock exchange, it is running a number of ranges, which I am sure you are aware of, all around Scotland. I believe it is the largest employer in the Hebrides group of islands. We have a great set of SMEs in Scotland. We have members in Aberdeen that are supplying down to Plymouth and all over the country.

The key thing for us is to focus on the SMEs and the performance of the prime contractors, so the BAE Systems, Babcocks and QinetiQs of this world. We are seeing some really strong and committed growth in terms of SME spend and commitment to using SMEs. From our perspective—and I am sure Warrick would agree with me on this—the rural economy in Scotland clearly needs as much support as it can get.

There has been further concentration by the big primes on the SME world, and certainly my own organisation runs a number of “meet the buyer” events during the year, which are like speed dating for SMEs. We get the buyers from a number of large companies, they will publish their requirements in advance, and our SMEs pitch for a 15-minute meeting with them. More encouragement of that within the sector, across the UK but certainly in Scotland, would be really helpful.

Q3 **Chair:** Thank you both. Can I dig into that a little deeper? Could you be a little more specific about the contribution the sector makes to employment and skills, which we are very interested in on this Committee, across Scotland, and perhaps also talk a little about regional variations? It would be very helpful to the Committee if you could do that.

Andrew Kinniburgh: Do you mean within a Scottish context or within the UK?

Chair: Within the Scottish context.

Andrew Kinniburgh: I am going to bow to Warrick’s superior knowledge on that, if I may, but I will happily come in afterwards.

Warrick Malcolm: Happily, again, we have done some analysis of the impact of the sector. At the moment 36,900 people are directly employed in Scotland. That represents a growth of 20% over five years. As a membership organisation, like Make UK we have members all the way from Aberdeen to Carlisle and up on the Western Isles as well, so we are



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acutely aware of those companies being all over Scotland, with particular centres of excellence. Members will already be aware that we have a fantastic aerospace sector around Ayrshire and Prestwick airport. We have a fantastic shipbuilding sector on both the west and the east coast, and all the way up to the far north as well.

I would highlight one thing in terms of the contribution to the economy: we have all the skills. I was listening this morning to some of the immediate response to the Scottish Budget that I am sure everyone was tuning in to. When asked about the challenges Scotland faces, the thing that was highlighted was productivity. If you look at our sectors, we have fantastic stories to tell. Aerospace sector productivity grew 93% in the five years to 2024. Our productivity across all four sectors is 49% higher than the UK average and the output per worker in 2024 was £100,000. Overall productivity within our sectors grew by 28% between 2020 and 2024.

We have the stats to back up the contribution the sector makes. Over and above that, to personalise it, when we are going into the companies and meeting them day in, day out, the companies are the very employers that Scotland needs and wants, with highly skilled, highly paid, long-term jobs that are generating a huge return both for the Scottish economy and for our local economies throughout Scotland.

Q4 Chair: Mr Kinniburgh, I will ask you to comment, but I am going to ask Mr Malcolm first. Are there any factors that limit what we can do in defence in Scotland? Is there anything more that needs to be done?

Warrick Malcolm: From an ADS perspective, we are acutely aware that we are months away from a Scottish election. We take our relationship and responsibilities very seriously in terms of building the relationship with the Scottish Parliament and the Scottish Government. For example, for the first time ADS has published its manifesto for Scotland—available from no good bookshops but freely available on our website, should anybody want to have a look at it. We are acutely aware that the levers for our sector exist both at Westminster and at Holyrood. It is really important for our sector that we get the support that we need in order to meet those growth targets.

The growth will not come just automatically. We cannot be complacent; we need to work hard to secure that growth. What does that mean? That means, in a Scottish context, that there is a huge amount that could be done. The most obvious one—and I know that this is part of the inquiry—is on skills, whether that is apprenticeships or making sure our universities are supportive of R&D and graduates coming out of university.

Also, we have to be clear that we need the environment that our companies work in to be one that supports what they do and what they contribute, both to the economy and to UK national security. It is an extraordinarily challenging environment for some of our companies to



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operate in, whether that is the competitive environment or that involves some of the attention from protesters that they face as well. We need to support those companies to make sure that they can contribute to national security and grow. That means we need both the UK and the Scottish Government to recognise, support and collaborate with the sector.

Chair: Mr Kinniburgh, would you like to add to those two points?

Andrew Kinniburgh: Looking at apprenticeships, for instance, a huge proportion—almost the majority—of apprenticeships in Scotland in engineering and manufacturing are generated by the defence industry. Without that, it would be a fairly sorry tale, I suspect, in terms of engineering apprenticeships. It is hugely important for the Scottish economy.

The other thing to point out is that salaries in the defence industry are about 40% above the median across the UK. They really are well-paid jobs. On the big programmes, such as the BAE Systems and Babcocks of this world, these are long programmes that are running for 10, 15 or 20 years. You genuinely have a career for a very long time in these businesses. They are hugely important and well paid. They are in sometimes quite difficult places to access, so there are some quite remote sites, which are really helpful, and we see that across the UK. That is hugely important.

If I may, Chair, I will highlight a programme that we are involved in called the defence welding employment programme, on which we are working with the Ministry of Defence and the Ministry of Justice. The idea is to pick up younger people who are either at risk of offending or are already in the criminal justice system. We are working with BAE, Babcock and a couple of other companies. They still need to be good people who are capable of doing the job, but the idea would be that the defence industry can swing in behind some of these initiatives.

We are working with an organisation called the Fair Chance Business Alliance, which is modelled on the US Second Chance Foundation. The idea of that is to pick up some of the 9.6 million people in the UK with a criminal record, which is mind-boggling. Fifty per cent of employers in the UK will not touch someone with a criminal record. With the defence industry, we and the MOD are working hard. It is not going to solve everything, but it is another step forward in terms of helping young people in Scotland.

Q5 Mr MacDonald: You have painted a very positive picture. Having said that, if you look at the numbers of MOD expenditure in the UK industry, Scotland gets £2.1 billion out of £31.7 billion, so we do not have our share. We are basically a third behind our share. You, very politically and sensitively, skirted round the fact that the Scottish Government have not stepped forward and been positive about the defence sector. Do you believe they are moving towards being positive about helping defence



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and the nuclear sector, and therefore we can start to get our place back as a percentage of what we should be getting in the UK defence spend?

Warrick Malcolm: I will quickly start and Andrew can come in after. In terms of the MOD spend, the vast majority of the companies that are active within our sector, as Andrew and I have both said, will be SMEs, so they will not contract direct with the MOD. They will be part of the supply chain. There are still fantastic opportunities for those companies to benefit from the defence dividend, as it is being called, if they can get part of the supply chain. That is not to be complacent: we want to increase the MOD direct spend in Scotland. We have a great relationship with organisations such as DASA, which is investing direct into SMEs doing R&D, and there is a good story to tell, but there's more to be done on that.

In terms of the Scottish Government defence policy, I have been in this role 20 years, so in that time we have been on a journey, it is fair to say. I go back so far that I remember when a First Minister described the main trade show for defence in the UK as an abomination. We hope we are now in a better place, but we cannot have a conversation about defence where we do not refer to some of the policies we have.

We have had struggles over things such as the munitions policy, which has now changed, as of September. We have a new policy, which was announced on 3 September, with immediate effect. As we sit here today, it is only now, in the past few weeks, that we have reached the final implementation guidance. We have spent four months trying to work out how the new defence policy in Scotland will be implemented. While we have been discussing with the Scottish Government their policy, which will restrict defence opportunities, the other parts of the UK have been discussing how to maximise the defence dividend.

We are in a difficult position. We are hearing positive noises from the Scottish Government. It is for others to determine whether the positive phrases about the defence industry are supported by the actions. There is more to be done on that.

Andrew Kinniburgh: Without courting too much controversy, the suggestions from the SNP that the anti-genocide or counter-genocide policy would potentially remove Scottish Government funding from companies involved in defence and aerospace is of concern. We are worried about that.

If I take another example, a company called Aeralis is based in Bristol but wants to design and build its new fast-jet training aircraft at Prestwick airport. It feels welcomed at the moment by the Scottish Government and by the local MPs, who have given incredible support to it, but we need to encourage the Scottish Government to make sure that it is a welcome that it gets. Of course there is the ethical, legal and moral side of the defence industry, but we want companies from overseas and down south to locate themselves in Scotland.



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Prestwick is a fantastic example of a highly skilled workforce that is already there and could be busier. We want to create hundreds of new jobs at Prestwick. We need to encourage the Scottish Government to welcome that kind of inward investment. I completely get the whole ethical, legal and moral side of the genocide paper that the Scottish Government have produced, but we need to be careful not to scare the horses while we are doing that.

Warrick Malcolm: As someone who has been active in this sector for 20 years, in those 20 years we will have seen 10 Farnborough international airshows, 10 Paris airshows, 10 DSEI exhibitions and multiple trade missions specifically for the defence sector. It is not unfair to say that Scottish public sector support for those events has been negligible.

We are in a place where we are hearing a much more positive story within the constraints of the new defence policy. For us, the conversation is about recognising, if there is now support for defence in Scotland, where we are and what the appetite is from the Scottish Government and their agencies to support the success that we know companies are able to secure at the moment. We have a long list of missed opportunities.

Q6 **Dave Doogan:** It is worth acknowledging, Mr Malcolm, that in the list of reserved competences there is very little as reserved as defence. Would that be fair to say?

Warrick Malcolm: I am sure that is accurate but, as our manifesto for the May election goes into, there is a huge amount that the Scottish Government can and should be doing to support.

Q7 **Dave Doogan:** Indeed, and a lot of that is around the economic development and skills development base. Certainly my understanding, speaking to primes in defence in Scotland, is that prior to the situation in Gaza there was a quite positive and productive relationship between defence manufacturing in Scotland and the Scottish Government's agencies. Is that not your understanding?

Warrick Malcolm: There are pockets of good practice, absolutely. If you talk to the primes, they have the capability and scale to foster a good dialogue. They will be account managed by Scottish Enterprise, invariably, so there are good relationships. Once you go down through the supply chain, it is more mixed.

Q8 **Dave Doogan:** In terms of the broader political rhetoric that I think you are concerned about, can I check whether you have noticed a discernible shift in the Scottish Government's position and approach to the opportunities of defence manufacturing in Scotland in recent times, such as the £9.2 million Scottish Government investment in BAE?

Warrick Malcolm: The feedback from our members is that there is still a long way to go on that.

Dave Doogan: Is that evidence-based or perception-based?



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Warrick Malcolm: We are still waiting to see the action to support the rhetoric.

Q9 **Dave Doogan:** Mr Kinniburgh, you said earlier—sorry, I am paraphrasing; it has been a while since you said it so I might not get your words quite right—that there is a very buoyant situation with defence manufacturing and its role in providing apprenticeships in Scotland. I fully agree with that. You then followed that up by saying—again, I am paraphrasing—that that is just as well, because without defence apprenticeships there would be a pretty dire situation in Scotland, or words to that effect. What is the evidence for that?

Andrew Kinniburgh: It is sheer numbers. It is thousands of apprentices every year coming through, or hundreds of apprentices.

Dave Doogan: Sorry—I don't mean for the positive bit. I am in full accord with the positive bit. I was asking about the implication that without defence there would be no engineering opportunities in Scotland.

Andrew Kinniburgh: I am certainly not saying that, of course not. No, absolutely not.

Q10 **Kirsteen Sullivan:** I am sure you are having many ongoing discussions with Scottish Government given, as you mentioned, the upcoming elections, but also current international events. Do you get a sense that there is a tension between what is going on in the world and long-held Scottish Government policy positions? Do you have the expectation that there is perhaps a shift, or an opportunity for a shift, that will allow Scottish workers, particularly young people, to tap into the defence dividend, as workers are able to elsewhere in the UK?

Warrick Malcolm: In terms of youngsters wanting to enjoy the opportunities within the sector, we see from individual companies that there is no lack of demand from young people to work in the sector. The most obvious feedback we get is around apprenticeships. For example, a company advertising 10 apprenticeships would expect somewhere in the region of 900 applications for those 10 apprenticeships. There is absolutely no problem at the moment with demand and, indeed, the companies want to take on more apprenticeships.

We should not be complacent—we should make sure that we are still doing the outreach to schools, and so on and so forth—but the story at the moment is a positive one. The problem is the apprenticeship funding and the infrastructure that sits behind apprenticeships in Scotland. We would like to see some changes there.

In terms of the geopolitical situation and whether that is provoking a change, clearly there is a change. I mentioned the change to the munitions policy. On the one hand, we have a change to the munitions policy, but we also have the introduction of the new policy with respect to genocide. Not to question the policy, but the policy's implementation was done with no prior discussion with industry whatsoever, so 3 September



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came as a bolt out of the blue for the industry. The policy was introduced with immediate effect, but civil servants, Scottish Enterprise and the other enterprise agencies had no implementation guidance whatsoever, so we have spent three to four months working out how the policy will be implemented. For companies, we have basically been paused for three to four months in terms of that relationship with the agencies while that has been worked out.

One key thing to come back to is the apprenticeship funding as well. The First Minister said that this would not affect existing apprentices, but he did not say anything about future apprentices. It took us three months to get clarity about whether apprentices would be caught within the policy. We have had confirmation that apprentices will not be caught in the policy, which is welcome, but it took three months to get to that stage.

In terms of the new deal for business and all the stuff about how the Scottish Government wanted to reset their relationship with business, here is an example where they did not follow their own best practice. At a time when everybody is looking to ramp up defence spend, defence investment and the response from defence—for obvious reasons—that was not the story, and has not been the story for the past three to four months in Scotland.

Q11 Elaine Stewart: It is great to hear you talking about the Prestwick cluster, because I am an MP in that area. Obviously the airport is owned by the Scottish Government. I would really love to see Aeralis coming on board with us, because it has spoken about apprenticeships and how it is going to train up our young workforce. Bringing these companies to that area is not just about defending the UK; it is about making sure that there are meaningful and well-paid jobs coming into Ayrshire that would be great for the economy. Would you agree with that?

Warrick Malcolm: Absolutely, and as I mentioned in my introductory comments, Ayrshire is one of the jewels in the crown for our sector in Scotland. For example, that MRO cluster—maintenance, repair and overhaul—is something that Scotland should be shouting about. It has an immediate opportunity within aerospace, but also, with the DIS looking for neighbouring sectors and what they can be doing in the defence realm, the MRO cluster there clearly has an obvious opportunity to extend into the defence sector. There is a fantastic story to tell.

If you speak to colleagues in Scottish Enterprise, we have not done a great job at supporting that cluster in terms of winning new business. The companies there have been there for decades. If you speak to the people who run Woodward, they are what we would call good actors. They have invested, over many decades, into the local community, paying well, doing their outreach, doing community activity and providing apprenticeships. I was lucky enough to be at one of its anniversaries and there were about three generations of one family who were working out there. It is a fantastic story but, once again, we do not do the best job at selling it.



Elaine Stewart: It is also a prime area for a tech college.

Andrew Kinniburgh: I was at the Ayrshire chamber of commerce event in Westminster a couple of months ago and it was fantastic. The local college is so integrated with local business, which is exactly what we need from an industrial perspective, so that is fantastic. When you join all those up, it becomes a really powerful thing.

To back up what Warrick was saying in terms of maintenance, repair and overhaul, the Aeralis example, as you know, is starting to design and build whole aircraft, not just for the first time in Scotland for many years, but for the first time in the UK for about 50 years. That has to be something we embrace as Scotland, as a nation, and the UK as well. We are bringing that capability back into the UK.

If you will indulge me, Chair, I wanted to give another example of a really strong regional response within Scotland. Fife council has another big cluster of defence companies with Babcock, Raytheon and others in Fife. The council sponsors around 10 companies every couple of years to go through a small programme that we run called the Fit for Defence programme, which is a little business improvement programme looking at your business through a defence lens. Fife sponsors those companies, which go through a small programme with a number of days of intervention, education and consultancy work, then flies them down to DSEI, which is the big biannual defence show in London, and we host them at the show. There are some really good examples of local interaction with the regional governments in Scotland, which is fantastic. That is all about the SMEs, and then you have the big guys in the background supporting as well.

Q12 **Dave Doogan:** Mr Malcolm, to move on slightly to the policy the Scottish Government have just introduced in terms of public money investment in defence in Scotland, and trying to ensure that Scottish taxpayers' money is not spent on that which could be connected down the supply chain to genocidal activity in Gaza—a policy that the vast majority of our constituents support—what is your assessment of the material loss to defence in Scotland during the period while that policy was enacted by the Scottish Government, given that it was an emergent policy? It is not a long-term policy that was planned to be introduced; it was a response to a situation that was, broadly speaking, the failure of defence export regulation in the UK. To control that situation, the Scottish Government had to step in, from a Scottish perspective, to resolve it. I can totally understand the frustration within the sector while that unwound but, in quantitative terms, what is the loss?

Warrick Malcolm: It is interesting. Our position when the policy was announced was to ask the Scottish Government, "What do you currently assess to be the intended consequence of this policy? What is your assessment? Have you done an impact assessment and can you share it with industry so that we can check it for accuracy?" We have not, as I sit here today, seen that impact assessment, so we have no idea what the



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Scottish Government's own assessment of the impact of the policy currently is.

Q13 **Dave Doogan:** What is your assessment?

Warrick Malcolm: We were unable to do an assessment because there was no implementation guide until a few weeks ago. It is very difficult to assess the impact when you have not been told how the policy will be enacted. From the first draft to the final implementation policy it changed, so any assessment we would have made on the first draft would have been wrong for the final draft. We are still at a point where we are looking to see the Scottish Government tell us what their current impact assessment is. We are liaising with our members, as the policy gets rolled out through the enterprise agencies, to work out what that impact will be.

The only thing we would say is that we are not critiquing the policy and we entirely understand what sits behind the policy, but at a time when we are being told that the Scottish Government supports defence, why does a policy about genocide target defence? If the problem is genocide, why is it not a policy that applies across all sectors? Why target defence? Why they are being uniquely targeted is quite a difficult message to discuss with the member companies and defence companies.

Q14 **Dave Doogan:** How confident is industry in the UK Government's ambition to get defence expenditure up to 3% by 2030?

Warrick Malcolm: I would not be able to comment on the level of confidence in that. We have certainly analysed what the impact would be, but I would not be able to comment on the level of confidence within companies on that.

Andrew Kinniburgh: We have confidence that the Government will get there. The big question is when. That is the big question. It is when and how quickly.

On the genocide side of things, it is very difficult to quantify, as Warrick said, but it has an impact on the sentiment of global investors from a defence and aerospace background. Make no bones about it: the UK and Scotland are in a global competition for investment from defence companies, aerospace companies and others. The change in sentiment and the risk analysis of investing in Scotland, if you are not sure exactly what the impact will be, is impossible to quantify, but it is likely to have had an impact and perhaps slowed down some investment decisions.

Q15 **Dave Doogan:** By extension, Mr Kinniburgh, can we focus on the shipbuilding sector, if you are able to speak to that? In big handfuls, complex warship manufacturing in the United Kingdom happens at either end of the M8. That is where the skills are now. Could you help the Committee to understand? If, for example, there was a political decision—it would need to be a political decision—by a fictitious future Government that they wanted to start building ships somewhere else, how would you describe the scale of that challenge to stand up what we



have in Govan, Scotstoun and Rosyth somewhere else?

Andrew Kinniburgh: It would be an absolutely huge mountain to climb to recreate that, I would say.

- Q16 **Dave Doogan:** That is a positive thing for Scotland, but that is concentrated in the central belt. A lot of Scotland's population exists in the central belt, so that is, nevertheless, a really valuable opportunity for those communities in and around the central belt.

There is a definite challenge with SMEs in Scotland. Defence spending with SMEs in Scotland is terribly low. It is an interesting point Mr Malcolm makes that SMEs might be working for primes elsewhere in the UK, and that is what that figure is masking. We need to get underneath that analysis. It would be better if we could get some of that multiplier effect to radiate out from the central belt. Are there any examples elsewhere in the UK where that has worked—perhaps you know, Mr Malcolm, as well—that Scotland could learn a lesson from?

Andrew Kinniburgh: A good example in a very sophisticated maritime kind of environment would be Barrow-in-Furness and Team Barrow, where the local council, the college, the University of Cumbria and BAE Systems, which is by far the predominant employer in Barrow, have all come together. ADS and Make UK Defence are both very involved in that as well, in trying to encourage the greater use of SMEs, not just in the Barrow-in-Furness area. That is a hard place to operate in the Lake district of England, when you are pushing up against hoteliers and restaurateurs. You are in a real race to bring talented young people in and hang on to them. That perhaps would be a good example of a regional community coming together.

As I said before, companies such as BAE, Babcock and others still need to do more, but they are doing a lot in terms of engaging SMEs. Both of us are encouraging best practice on that. The nature of a big warship, as you know very well, Mr Doogan, I am sure, is that it is a series of relatively small subsystems that all come together into one great big warship. It is about trying to encourage, either through regional investment or through national investment, those pockets of expertise perhaps to be broadened out from beyond the central belt.

- Q17 **Susan Murray:** What opportunities do you see the defence industrial strategy bringing to Scotland specifically?

Andrew Kinniburgh: It is about building on what we have today. The export order book for surface vessels is incredible. I do not think it has been as strong as this for many a long year, which is wonderful, as Mr Doogan said, for both ends of the M8 and going beyond that.

With our focus on small and medium-sized enterprises, we are really encouraged by some of the developments within the Ministry of Defence. It has established now a Defence Office for Small Business Growth, which



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is specifically to help SMEs to flourish a bit more in that world. We are encouraged by that.

There is a real commitment from the UK Government to spend more with SMEs, both directly and indirectly. There is a challenge of spending directly, because the way the MOD procures equipment at the moment does not really lend itself to having thousands of SMEs being used directly by MOD. In contrast, the US, for instance, has really strong legislation that forces the DOD or the DOW to use many more SMEs directly. It will direct that procurement around female-led, veteran-led and indigenous peoples-led businesses and that kind of thing. We do not have those federal underpinnings in terms of forcing companies to use more SMEs.

For us, the DIS is about building on what we have today. It is about continuing to invest in things such as the global combat air programme, many parts of which are being designed in Scotland, particularly in Edinburgh with Leonardo, Northrop Grumman and others. It is building on where we are already. To go back to the point, it is about asking, "When are we going to make this investment? When are we going to see the defence investment programme? How quickly are we going to get to 3% and then up to 3.5%?"

Q18 Susan Murray: Mr Malcolm, you have spoken before about the influence of the Scottish Government in this sector and the situation as it exists just now. After the Scottish election, if there is perhaps a coalition between the SNP and the Greens, what impact do you think that will have on the confidence of defence companies to come into Scotland?

Warrick Malcolm: In terms of predicting the Scottish election, it would probably be better to get Professor Curtice here to answer those questions. I do not think I would step on his toes by trying to predict that.

As I was trying to highlight in response to one of the questions Dave asked about SMEs, there is a positive story. We do not always need to look outside Scotland for the positive story. If you look at the Scottish space sector, it is an example where we have had wholehearted support for the sector from Scottish Government, Scottish Enterprise and industry. Space is a defence sector now. It shows the potential of what we can do if we get our communications right and get industry, academia, Government and the enterprise agencies working together.

DIS offers that opportunity for the entire sector. Any one of the primes would be a jewel in a geography's crown. We have all the primes in Scotland and all centres of excellence. We have centres of excellence such as the National Manufacturing Institute Scotland. We have the robotarium. We have excellence within Edinburgh University on data processing and so on. We have an oil and gas sector that has a huge amount of expertise that is directly relevant to our sectors. Any one of those opportunities would be jealously sought by any other UK



geography. We have them all in Scotland. Back to the analysis in terms of the contribution of jobs and so on, it is a fantastic opportunity. DIS could act as a catalyst for Scotland to take advantage of that and, as I say, secure that defence dividend for Scotland.

Q19 Elaine Stewart: What do you hope to see included in Scotland's defence growth deal? What needs to be done within local economies to maximise the benefits?

Andrew Kinniburgh: Going back to my previous point, if the sentiment is there from a national perspective, taking the Fife example again or the Ayrshire example, you are basically supporting your local regional governments to develop those. We would like to see the Fife council model multiplied, really across the whole of the UK, because it is a brilliant model and very SME focused.

We need the national sentiment to be in support as well and to make sure investors feel welcome to invest in Scotland, because we have such an incredible legacy. Today, our engineering capabilities are next to nobody's and better than anybody's. We need national sentiment, regional support perhaps and regional encouragement to help each of those councils in their own way to develop their local economies.

Warrick Malcolm: The only thing I would add is that we have had the experience of the regional growth deals. You will be aware of the scale of the regional growth deal that was put in place for Ayrshire. The defence growth deal itself is not even of that order, so it is not a huge amount of money. From our perspective, it is important that it acts as a catalyst or multiplier. That is what we want to see from the defence growth deal, because the money in and of itself is not a huge amount. Let us see how we can turn the £10 million per year into £100 million per year. That is where those partnerships with banks and other investors, such as the Scottish National Investment Bank, are absolutely crucial.

Q20 Mr MacDonald: Mr Malcolm, you should be a politician, because you are not answering the question from my colleague. The Scottish Greens' defence policy centres on peace, nuclear disarmament—especially moving Trident—and shifting focus from military spending. Mr Curtice would say that a Green-SNP alliance is the most likely outcome. Do you think that will hit our defence industry's confidence?

Chair: You are asking Mr Malcom to speculate a little bit.

Dave Doogan: You are asking him to predict the election.

Mr MacDonald: No—it is a likely event, in my opinion.

Warrick Malcolm: I neglected to bring my crystal ball, so if it's okay, I will duck that question.

Chair: It is not a scenario many of us are planning for anyway. Would you like to move on to your next question, Angus?

Q21 Mr MacDonald: What barriers do small and medium-sized enterprises



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face when seeking to work with the Ministry of Defence? You have outlined, for example, what Fife is doing and what happens in America. Do you see any move to address those barriers by the Ministry of Defence or the British Government?

Andrew Kinniburgh: Yes, I do. I go back to my previous answer about the Defence Office for Small Business Growth. It is not the panacea for all ills. It is not going to suddenly transform the entire sector. We absolutely need to wean ourselves off a little bit from what is nearly 50% of the defence equipment budget going to non-competed providers. That is BAE Systems, Babcock, Rolls-Royce, Leonardo and some others. We would like to see a more competitive element to the increasing defence budget. That is absolutely not to say that we do not need really strong prime contractors in the UK and Scotland, because we do. You cannot build a nuclear submarine with a couple of SMEs. It needs an awful lot of capability and a big balance sheet to be able to handle that.

There are definitely encouraging signs. Collectively, we, the trade associations in the UK, need to encourage and, to some extent, cajole some of these bigger businesses to do more with regard to SMEs. There is an organisation called Hellios Information that runs a programme called the joint supply chain accreditation register, or JOSCAR. That is a compliance database to help the defence industry to find good companies, register them and make sure that they are compliant in terms of their quality and the way they operate. JOSCAR now has 6,500 companies in that database. It is by far the biggest repository of data in the defence industry in the UK. There are many hundreds of Scottish companies on that JOSCAR accreditation database.

That kind of thing, encouraging the MOD and the big primes to use those tools more effectively, and to look to push out more of their work to the SME communities and not try to do everything themselves, is the way forward. The defence industrial strategy is underpinning that. It will not change it overnight but, with encouragement and a bit of cajoling, I hope we will move forward.

Q22 Dave Doogan: Mr Malcolm, we have very competitive SMEs that are doing a great job in the defence space in Scotland. I take your point that we should not be overly pessimistic about that. Nevertheless, it is one of the lowest SME success rates within defence in all 12—and I use the term advisedly—regions of the UK. It must be a function of economies of scale.

For Scotland, Wales and Northern Ireland, we have the reality where the UK spends more in one region of England, in the south-west, than it spends in Wales, Scotland and Northern Ireland put together. SMEs in the south-west of England will be doing a lot better than SMEs in Scotland, not because they are any more dynamic, capable, efficient or competitive, but just because they are in among where all the defence spend is. That is what Scottish SMEs have to overcome before they reach what could be considered a competitive position. Is that a fair assessment?



Warrick Malcolm: I do not disagree that there is a real challenge there. As a trade association, we are acutely aware that 95% of our members are SMEs, so we have a real interest in supporting them. As a trade association, we invest really heavily in business development managers. We have an SME champion within ADS as well. At every one of our events, we try to design a part of it to involve business opportunity for those SMEs and foster those conversations, but the barrier to entry is pretty high. There is no doubt about it.

I remember that, many years ago, when we held an event with a prime that I will not name, specifically for SMEs, the prime opened the event by saying, "Put your hand up if you have Cyber Essentials." The next phrase was, "Those of you who did not put your hand up can leave the room. You are not getting into my supply chain." That was about two-thirds of the audience. It is quite tough to get in. There are knowledge barriers, challenges and so on and so forth.

We have to work with partners. I mentioned DASA, which has people in Scotland working 24/7 on helping SMEs. We have started conversations with an organisation called BiP Solutions to bring a big defence supply chain event to Scotland as well, called DPRTE. We will be working with it on a dedicated supplier event for defence in Glasgow this year.

We cannot be complacent. We have to recognise that as a challenge. We want to bring more of those conversations to Scotland to encourage an uptick in that spend.

Q23 **Mr MacDonald:** I am the MP for Inverness, Skye and West Ross-shire. Statistically, I suspect we have zero revenue from the defence sector. Our colleges down the west coast in the University of the Highlands and Islands in, say, Fort William, Portree and almost certainly Stornoway and Oban do not teach STEM subjects. Not only do we not have any defence sector, but we have no chance of having any defence sector unless things change. Do you think there is any move afoot at any government level that can really help these areas to skill up and enter the defence sector, which is likely to be one of the fast-growing sectors in the country?

Warrick Malcolm: From my perspective, I remember, very early doors when I started in this role, being at an event at the Scottish Parliament where there was a launch of the new curriculum for excellence. The SQA started the event by saying, "The world of work is changing and education needs to change to reflect that. We do not need shipbuilders any more, so we do not need to teach the skills that are required for shipbuilding." Here we are—cause and effect—where we are now seeing the consequence of that.

From a sectoral position, we want the education system to reflect what industry needs and will need going forward: evidence-based skills in Scotland. The Withers review, for the people who are aware of that, suggested that we are going to go for an agile and responsive education system in Scotland. We still have a long way to go before we see that.



The industry and its trade association take our responsibilities incredibly seriously in this, so we are doing everything we can. We do STEM outreach activity. The companies do STEM outreach activity throughout Scotland. I know that the armed forces, similarly, do STEM activity throughout Scotland, I am sure even as far north as Inverness and beyond. There is an enormous amount going on. We have a rocketry competition to encourage kids to come into our sector. There is more that is going on, but, going back to the Withers review, as a sector, we want to see that deliver the responsive education system that we need. That review has taken a very long time to get not very far.

Andrew Kinniburgh: As a half Invernesian, I would be very keen to see lots of defence companies in that area. I would chime with what Warrick has said, but the key thing is for further education colleges and universities to really plug into the employers, work out what they want and then invest along those lines.

On the STEM side of things, Make UK runs a large apprentice training centre in the west midlands. We have something like 250 to 300 apprentices a year come through our doors. We lose money on every single one of those. That is our gift to the sector. That is part of what we give back to UK manufacturing, because the apprentice levy in England and Wales means that teaching STEM subjects is inherently a loss-making activity, which is absolutely nuts. Honestly, I do not know the situation in Scotland as well—forgive me for that.

We have to try, from a national and a regional perspective, to encourage further education colleges and universities to invest in STEM subjects, but linking it directly to employers. Going back to QinetiQ and the ranges in the Hebrides, can we somehow plug into what they need? Then can we start training some of their staff locally? Then you start building that ecosystem. You start seeing entrepreneurs coming out of the universities and colleges. Little companies spring up. We need to find this groundswell, perhaps existing or new ones—the space centres and that sort of thing—and encourage the colleges and universities to invest. It is tough, because you lose money on these things. We have a national problem with apprenticeship training.

Warrick Malcolm: At the risk of solidifying my reputation as a nerd and a geek, I have more stats on this. We work with Scottish Engineering specifically because some of the pushback we get from the Scottish Government is that, “This is anecdotal. You need to give us the evidence.”

Taking the responsibility seriously, we worked with Scottish Engineering on some research into what we were calling a skills crisis in engineering in Scotland. That found that the business level of intent to train is less than half the actual replacement level needed to cover the upcoming retirement wave and growth. We have an 8% replacement rate planned versus a 17% replacement rate required. What does that mean in reality?



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Scottish Engineering is estimating 10,000 unfulfilled engineering positions compounding in Scotland per annum, so we have 10,000 engineering positions going free in Scotland. The companies need the engineers.

As mentioned, we have 800 applications for 10 apprenticeships. The demand is there from the youngsters to become engineers. If I look at Ayrshire College, it is extraordinarily close to the companies and extremely keen to support their growth. It comes down to budgetary decisions, ultimately.

Q24 **Chair:** Before I forget, Mr Malcolm, would you mind sending in some copies of your manifesto for the Committee?

Warrick Malcolm: I would be happy to.

Chair: I am sure we would find it very interesting reading.

Q25 **Kirsteen Sullivan:** You have mentioned some of the perhaps failures of the curriculum for excellence in terms of us now having a mismatch between the skills of the young people coming out of school, looking to go into the workforce, and what industry needs at this point in time. You have also touched on engineering, which has been a common theme before this Committee. Can you tell me about some of the other most significant skills gaps in Scotland's defence sector? Do you believe there is sufficient understanding in both Governments of what gaps exist in the sector?

Andrew Kinniburgh: I will give you an anecdotal response, and then Warrick can get his stats out and blow everyone's brains out. If we take welding, for instance, that is an absolute classic case in point. Babcock has just imported 300 welders from the Philippines to cover a short-term gap in its skills. We would argue very strongly that that probably needs to be supplied from local labour.

We need to be thinking way ahead. This is the challenge, and Mr Doogan touched on this in terms of the long-term way the defence industry works. You are designing and developing a big, complex platform. You are probably designing it for 10 years before you cut any metal or start doing any actual work. We have to get ahead of the curve in terms of bringing young people through in time, so that we are not having to import 300 welders from the Philippines.

Frankly, I have great sympathy for Babcock, because it is really difficult. It is not getting the regular demand signals from the UK Government or the MOD to enable it to invest and recruit in time. We need to encourage, cajole and many other things to get the MOD, if it is five ships, to commit to those five ships up front and not release them in single ships, because it drives the wrong behaviours from the employers. They are not going to take the risk of employing 300 new welders when they have an order for only one ship.



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We need to change those behaviours within MOD. Welding would be a classic one, and that is all around the country. I know that, at BAE and others, as Warrick very clearly said, there is this huge oversupply of young people wanting to do these jobs. Then there are pockets, for instance in Barrow-in-Furness and other regions in England and Wales, that are desperate for welders and cannot get hold of them. That would be the example I would give.

Warrick Malcolm: I will not bore you with a long list of actual job titles; I will just pick a couple of examples from that Scottish Engineering work that we can share separately. We'll work with Scottish Engineering and submit some more details around this, but I will just pick two. Instrumentation and control engineer has 134% demand, but 32% plan to train. Electrical and electronic technician has 147% demand, but 24% plan to train. The demand is far and away outstripping the current supply.

The companies themselves take their responsibilities extremely seriously and recognise that it is in their interest to do everything they can to train. The feedback I get is that they are not necessarily looking for oven-ready employees. They are happy to train, but they need a basic level of understanding and skills that they can then turn into the bespoke skillset they need. Companies speak to me and say that they are even happy to overtrain—so take on more apprentices than their own company may need—in order to build the pool.

As our sectors are growing, I am sure that if you speak to other engineering sectors, they are seeing similar levels of demand. You have renewables and infrastructure. The NHS is one of the biggest employers of engineers, someone was telling me. All those sectors are growing and recruiting in the same pool for engineers. Whatever we need, they will be saying a similar thing. We need very many more engineers. We mentioned MRO; one of the stats I saw recently said that, globally, the requirement for MRO engineers is somewhere in the region of 750,000. The Woodwards of this world are competing in a global market for MRO engineers.

Q26 **Kirsteen Sullivan:** I do not imagine that any of this will be a surprise to Skills Development Scotland or other Government agencies. Are we starting to see the move towards a framework or plan for skills that are required in the short to medium term and for the long term?

Warrick Malcolm: The feedback we have given specifically on this is that we needed a review. We were supportive of the idea of a review—the Withers review—and its intended outcome, but dismayed at how long it is taking and pretty unhappy at the direction of travel and time it is taking. We do not feel that we are getting that agile and responsive system yet.

Q27 **Kirsteen Sullivan:** You see a need for some kind of industry view of what is required from the short, medium and long term. That ties in with your point, Andrew, about being able to plan ahead for the workforce,



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because a lot of these skills are not acquired overnight, so there is going to be a degree of planning there.

Andrew Kinniburgh: If you are a highly rated nuclear welder, you will be seven or eight years before your time is served and you have all your certificates, but then you can make a great deal of money. You will be paid £70 or £80 an hour for some of these highly skilled jobs. Then, of course, as Warrick said, you are into that global scrap for talent. Civil nuclear, for instance, is hoovering up a lot of really good people from the defence industry. You also sometimes get the primes hoovering up good welders and electricians from the SMEs. That is in their own supply chain, which is ironic, because they are actually recruiting out of the businesses that they are using as suppliers themselves. It is a tricky one. It's really tricky.

Q28 **Dave Doogan:** To home in on the horizon planning, which industry really needs, it would be more helpful if orders came in larger numbers rather than smaller tranches. We saw that on Type 26. We see that the Type 31's successor, which was coming at the back of 31, has now gone into the long grass. We just heard this week that Royal Navy tugs, barges and pontoons are now going to be manufactured elsewhere, other than the UK, which must be a huge disappointment to the industry, is it not?

Andrew Kinniburgh: It is an absolutely huge disappointment and it is lazy thinking, frankly. It should have a buy UK policy. This Government have committed to that and we have seen some changes in procurement, but we are not seeing that groundswell of, "We will use UK-based businesses wherever possible."

In defence, as you know very well, we are never going to make everything in the UK or in Scotland that we need, and we simply do not buy enough of many bits of equipment to justify building our own fighter jet for Scotland, let us say, but for building small ships, I would say this is a disgrace, frankly. But there we are.

Warrick Malcolm: The only thing I would add is that from an ADS perspective, we are very keen to see some reforms to the way we procure in defence. There are certainly things that we could do that would alleviate some of the pressures on both SMEs and rural SMEs. We have some suggestions that, again, we can share separately with the Committee afterwards.

Q29 **Jack Rankin:** On the same theme, on our visits and in our oral and written evidence, the pipeline issue often comes up. I think particularly of the comment from the Society of Maritime Industries that the industry needs "predictable pipeline visibility". That is key to attracting and retaining skilled workers. Does the industry at the moment have that visibility? Do you have any comments on that?

Warrick Malcolm: One thing that we recognise, certainly from an SME perspective, is that you do not really have ownership of your future. You are making decisions almost on a week-by-week, month-by-month basis.



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You are wanting to be a good employer. You are wanting to develop your workforce. Things such as apprenticeship funding could be more flexible to allow them to respond more quickly to that lack of long-term visibility.

There are things that we could do to alleviate that. Longer sightlines on future orders is always helpful, to help with that planning. It always could be better.

Andrew Kinniburgh: If I give you an example, look at the AUKUS submarines that Australia, the UK and the US have jointly designed. They are nuclear-powered but not nuclear-armed submarines. The contract for those is being let in single boats. What happens then is that you get an order for one. You make whatever you are making for one boat. Then you get another order a year later and you make another boat.

The problem for the defence industry is that then you have very small, incremental improvements in productivity. You simply cannot invest, because you are getting a single order for one submarine, one Type 31 or one Type 26. It drives all the wrong behaviours. It might help the Treasury in balancing the books, but it certainly reduces our ability in the defence industry to improve our productivity. If you had an order for 10 boats or five ships—whatever it might be—right through the supply chain, as Warrick says, right down to the smallest SMEs, there would be that longevity of contract.

They would then be able to invest in robotics, in improving their productivity, in buying a new five-axis milling machine or something like that. Because it is all incremental, the improvements in productivity and, arguably, the improvements in science and technology are quite incremental and quite small. Right through the supply chain, it drives the wrong behaviours.

Jack Rankin: This is a comment rather than a question, but that is a point we should make to Treasury. You can understand why these things come in dribs and drabs but, if you want to drive the cost per bolt of these things down and drive productivity, this seems to me to be a much more sensible approach, not just for skills, but for the Treasury.

Q30 **Chair:** In that particular example of the submarine, it is being built as part of a joint effort by three countries. Does that complicate the chronology of how it is produced?

Andrew Kinniburgh: Inevitably it does, because you are dealing with three different Governments, three different cultures and three slightly different approaches. The US, the UK and Australia are fairly well aligned in the way they buy stuff and probably the way they design and build defence equipment, so it is not too bad. There are very well-established links between the countries.

Something that the UK Government have done well is relaxing the ITAR restrictions—the need to have very tight restrictions in terms of sharing data and moving engineering drawings and things like that between the



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three countries. There has been some oiling of the wheels. There is no question that it must add complexity, but it hopefully also adds strengths that would outweigh that added complexity.

- Q31 **Chair:** Conversely, I suppose the fact that there are more submarines being built as a result of countries working together should make it easier to roll those out in a more organised way.

Andrew Kinniburgh: Yes, absolutely. There will be quite a transition. The UK is building nuclear submarines all the time. They are not simple things to make, but we have a well-established production line. For Australia, to switch from diesel electric to nuclear-powered submarines is quite a big step and there will certainly be a learning curve for the first few boats. There will be a lot of support from the UK to help the Australians build up their skillset, once they are up and running.

You are quite right that the more we make, the better we get at making them, hopefully. If we could order them in one batch, we would be in even better shape.

- Q32 **Douglas McAllister:** I was hoping to hear your views on the Norwegian Government naval contract secured by the UK Government, which will provide that long-term type of work that you are referring to on the Clyde. What is your view on that?

Warrick Malcolm: It is a fantastic win for Scotland that, again, underlines everything we have said prior to this. It is a fantastic opportunity, with a huge scale for securing jobs and so on. It is a wholly positive story for Scotland. There is a great opportunity to use that to act as a catalyst, again, for that supply chain and centre of excellence. We look forward to future export orders on the back of it as well.

Andrew Kinniburgh: I can only mirror that. It is a fantastic win for Scotland and for the UK. We would love to see a greater focus on the UK content on those Norwegian ships. That might be British-made naval guns, for instance, or a British-made helicopter on the back of the ship. We need to make sure that gets nailed down.

There is a bit of speculation about whether the Norwegians will go with a Leonardo helicopter, built in Yeovil, or whether they will go down another road. We need to see the British Government, BAE Systems and others really focusing in on, "These need to be made in the UK—made in Britain."

- Q33 **Douglas McAllister:** Is that Norwegian contract not good news for SMEs? I think there is a statistic that over 100 SMEs are supported by the two yards on the Clyde at Govan and Scotstoun. Some of them are in my West Dunbartonshire constituency.

Andrew Kinniburgh: It is hugely good news. It is fantastic. To go back to my point, if we can encourage BAE and others to spread the love a bit more in terms of SMEs, then certainly it is hugely important for every



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level of defence, right down to the 10-person company in Cardross or wherever it might be.

Q34 Douglas McAllister: Can I ask both of you how effective UK Government measures have been in tackling the skills shortages in Scotland's defence sector?

Warrick Malcolm: Looking at some of the most recent activity, I mentioned the regional growth deals. A lot of those regional growth deals have skills bits to them as well. There are skills initiatives around the Ayrshire cluster, which we are very keen to see. We look at the defence growth deals and there is a clear direction of travel. They could get involved in some of the skills activity as well. There is a role to be played there. We are keen to discuss with the MOD, and with colleagues in Skills Development Scotland and others, how we can use those, as I mentioned earlier, as a catalyst and make sure that we are supplying those skills. There is some good work, but there is certainly more to be done.

Andrew Kinniburgh: We would really like to see those defence technical excellence colleges. We want to see Scotland really standing up and bidding for at least one of those, if not a couple of them. Maybe, Mr MacDonald, we could get one in Inverness.

Q35 Douglas McAllister: I did want to ask about that, so we will move on. Further education is devolved to the Scottish Parliament, but R&D is not. Do you support the introduction of defence technical excellence colleges in Scotland?

Andrew Kinniburgh: From my perspective, absolutely. It would be fantastic and would provide that all-important link, which is not missing but could be stronger, between the Scottish universities pumping out hundreds of really bright engineers every year, the further education system and then back down into the vocational training. If we could somehow link those together, get a defence technical excellence college in Scotland and maybe move it out of the central belt, maybe into Cardross or Helensburgh, then yes, absolutely, we would support that.

Warrick Malcolm: We would absolutely love to see more investment in this area. We do have already some excellent examples. I mentioned the robotarium over on the Heriot-Watt campus. As ADS, we are seeing companies spinning out from R&D initiatives at the robotarium and becoming private companies, which are already in discussion with us about how they can enter the defence sector. It demonstrates that it does work. There is more we could and should do, I have no doubt. Yes, we would love to see that.

I have mentioned DASA a few times, and DASA is specifically investing in SMEs that have R&D projects. They have a great story to tell and have been extremely successful in Scotland. They are networked with us and with other trade associations. They also have projects they call "fundable but unfunded". That is a civil servant way of saying, "We have run out of



money.” There are R&D projects that DASA would like to fund but, frankly, there is not enough money. Some of these initiatives could allow money to flow directly to Scottish SMEs that are already doing R&D, which would benefit our sector. To go back to Dave’s point, it is about how you can get more direct funding to SMEs in Scotland. We have the mechanism already in place.

Q36 Douglas McAllister: Some £20 million of the UK Government’s defence industry skills package will be directed towards skills initiatives in the devolved nations—Scotland, Wales and Northern Ireland. How should Scotland’s share of that money be spent?

Warrick Malcolm: From our perspective, it is about getting it to the frontline, and not more infrastructure. I spend a lot of time in strategy meetings and all that sort of good stuff. I can understand that—we need to make sure we are co-ordinating the work—but the more money that we can get into funding the R&D, funding the skills development, and not wasting it on more admin and more meetings for meetings’ sake, the better. Get it to the frontline. Get it to where it can make the most difference.

Q37 Douglas McAllister: Do you think our colleges are best placed to receive that money?

Warrick Malcolm: Our experience is that the colleges are extremely supportive of the sector. As anybody understands, Scottish colleges are in a difficult financial position. They are keen to support the sector and we would very much welcome that. We do not see any reticence from Scottish colleges to invest and support our sector.

Andrew Kinniburgh: I mentioned QinetiQ before, which is running a couple of big ranges, at Garelochhead and up in the Hebrides. It has just become freer to offer its test and evaluation ranges to SMEs, which is really encouraging.

We are plugging into DASA—the defence and security accelerator—and defence innovation more generally, which now, as you are probably aware, has become a much larger, hopefully more co-ordinated picture of defence innovation, science and technology. We can harness that and use organisations such as QinetiQ, which are now able to offer their test and evaluation capabilities and facilities for SMEs at less eye-watering cost than they did, because they were bound up by an MOD contract, from which they have now been liberated, in effect. They are now able to do much more of that.

Scotland is uniquely well placed for the test and evaluation of defence equipment because of the geography of the place. There are not many places where you can send a missile out 3,000 miles into the Atlantic and have the shipping lane cleared. That is what happens in the Hebrides and other places. It would be wonderful to have not only that test and



evaluation but the fundamental science and technology being done in Scotland as well, perhaps co-located with the test and evaluation centres.

Warrick Malcolm: One thing I would come back on is skills support and development. I confess that there is no area that is more oversubscribed in terms of initiatives than this. There are so many initiatives in the skills world. Speaking to one of the primes about its skills interactions and how many different bodies or initiatives it was engaged in for skills development, there was a cross-section of an Aero bar that had hundreds of bubbles on it in terms of all the things it had to be involved in to develop its workforce.

At a time when we all know how pressed budgets are, do we need another initiative? We need fewer initiatives with more money backing them. That is how it feels, from an industry perspective. For an SME, it can be bewildering trying to work out how to negotiate your way through those initiatives. They have a reasonably simple ask, but they are at the whim of timetables of agencies and entry requirements for this initiative, that one and so on and so forth. Fewer initiatives, with more money backing them, would help everybody in skills.

Q38 **Kirsteen Sullivan:** We have already touched on the 300 workers from the Philippines that Babcock had to bring over. What role do you see overseas workers playing in Scotland's defence sector in the coming years?

Andrew Kinniburgh: A shrinking one, I hope. That is not said in any "little Britain" or "little Scotland" kind of a way. We need to reduce our reliance on cheap overseas labour. It is really important that we invest—we are back to the skills debate, really. They will hopefully play a smaller part. They will always play a part, because we do not have all the skills that we need immediately available. Agency labour from overseas is sometimes useful. There should be a shrinking role, but not in a jingoistic "little Britain" kind of a way.

Kirsteen Sullivan: We need to invest in our home-grown talent.

Andrew Kinniburgh: Exactly.

Q39 **Kirsteen Sullivan:** Are SMEs facing the same challenges and needing to bring people over, at the moment, to fill gaps?

Andrew Kinniburgh: In my experience—this is more anecdotal than any great detailed research—the SMEs generally are not using overseas labour. It is generally more local. They are fishing in the local pond for people, unless they are extremely specialist, perhaps in nuclear, very specialist electronic warfare or something like that. Generally, they will generate their own, hence the need, as we talked about before, for the longevity of contract. That becomes key, because then you can grow your own. You can employ people with PhDs or master's degree or vocationally skilled people in SMEs, which is amazing.



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As we talked about earlier, Chair, it can take many, many years to build up experience and become truly expert in what you do. The SMEs are really good at that, but they have a smaller problem, if you like, than the big primes. It is less of an issue in SME land.

Warrick Malcolm: From our perspective, it is not an overreliance on overseas labour, but it is that misalignment between industry demand and availability. International talent will always play an important role in addressing short-term skills gaps for us, but we need immigration policies that recognise defence and advanced manufacturing as a strategically critical sector. There is more that can be done.

It does affect SMEs. Andrew is absolutely right: where there are particular areas of expertise, they have to go to that global pool for expertise. We know an SME in Edinburgh that has particular expertise in advanced mathematics and it has to recruit globally for that. There are global marketplaces for some of those skills and, again, that is why we need immigration policy to reflect the needs of a critically important sector.

Kirsteen Sullivan: Thank you. You have answered my next question.

Q40 **Elaine Stewart:** Last year, 800 young people were turned away from Ayrshire College and a lot of that was tech and engineering. Would you say that Skills Development Scotland has lost the long-term view of how we are developing our young workforce?

Andrew Kinniburgh: I am going to bow to the expert on my right.

Warrick Malcolm: We have always had a very good relationship with Skills Development Scotland and felt that it has the ear of industry. We recognise that its budget has been extremely tight. It is close to the companies. Its projections of need in our sector are not always as accurate, because it has not taken into account the growth projections. It invariably has underestimated the demand signals.

Our issue has never been with SDS. It is not that we have any nervousness about changing the structures in Scotland—it is about what works for industry and what works for the economy, but that has never been our issue. Our issue has just been the funding that has been made available. We have a good relationship with SDS, as well as with the Scottish Apprenticeship Advisory Board and organisations like that. There are structures in place that we would support, but at the moment the skills review has just thrown them all up in the air.

Q41 **Jack Rankin:** You were both understandably diplomatic, but there was implied criticism of at least the effect on public sentiment of the Scottish Government's posturing on the Israeli Government's robust response to Hamas's 7 October pogroms. I want to ask about broader public perception. Babcock, Thales and others have said that poor public perception of the defence sector has limited the competitiveness of defence as an employer. Is that something that you might recognise?



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Warrick Malcolm: Personally, on the frontline of this, it is an enormous issue. We cannot skirt around it. I will give some practical examples of the impact. It is not a criticism of some of the views that are being expressed, but rather a focus on what is factually happening to companies and to organisations such as ours.

For example, we held a Scottish parliamentary reception to highlight the role of apprentices for the STEM sector. It was not purely the defence sector; it was about STEM sectors and apprenticeships. We had 200 protesters turn up in front of the Scottish Parliament. They shut down the Scottish Parliament. Nobody was getting into the Scottish Parliament and nobody was getting out of the Scottish Parliament during that reception, so that was a lot of our attendees.

We made that reception such that 50% of those attending were apprentices themselves. They got involved in the usual 200-person scrum outside the Parliament. People were coming into the Parliament in tears. They were not defence employees—a lot of them were civil aerospace employees—and they were being subject to the usual abuse that we see. That was us in the Scottish Parliament.

That parliamentary reception was supported by only one of the Scottish political parties. The Scottish Conservatives supported that. Nobody else turned up. Companies noticed that. The people who were there noticed that. Their local MSPs were not there supporting that event. That is one thing that happened to us. That has an impact.

We have already seen this year one of our member companies being subject to vandalism. To give you an example of what that means, it has lost 75% of its capacity after a half-hour rampage through its facility, so 75% of its capacity is gone. It is part of a supply chain. It is not sure when it will be able to get that capacity back up and running.

As you will appreciate, all of our companies are working to pretty tight deadlines. If you are an SME in a large company's supply chain and your response is, "I can't be confident that I will be able to supply you with the equipment within the next four to six months," that half-hour rampage becomes existential for that company. That is pretty tough. I am sure everybody appreciates how difficult it is to run any company. To run an SME, when you have been doing all the hard miles, year in, year out, and to see all that hard work, all those livelihoods, all those mortgages jeopardised by a half-hour rampage is quite difficult to take.

We are facing other things. Careers fairs at universities are invariably being shut down. All you need to do is go to a university for a meeting, as a defence company, and the security level goes up. That makes a difference. That does have an impact in terms of the attractiveness of the jobs. Even your ability to highlight the opportunity is impaired in that situation. There are real-life consequences of some of this.



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One of the companies was happy to share with me some of the statistics in terms of the financial implications of a protest. It had an immediate impact to the tune of about £150,000 to £200,000 in physical changes it had to make to its site. You then have a knock-on impact in terms of the annual cost to increase its security. It has a knock-on impact on your insurance. It has a knock-on impact for the staff, in terms of their personal safety.

You see very few of our companies now are willing to put staff photographs on their own websites. You are seeing companies actually asking ADS to take their address off our website, because they fear it will attract the wrong attention. It is an extraordinarily difficult environment for Scotland at the moment. It is extremely difficult, which is why part of our manifesto for the Scottish elections says that we all need to play a part in terms of changing that environment and that dialogue. We have never needed those companies more than we do right now.

I asked one company, which was subject to some of this attention, "What about your local MSP?" and it said, "I've never heard from my local MSP, apart from one letter when they asked me, during covid, why I was open. When I explained that it was because I was part of critical national infrastructure and was specifically requested by the MOD to remain open, I got no response." That is the context our companies are working in.

Andrew Kinniburgh: We have a mid-tier member—not an SME, but certainly not a big prime—that has had to spend £1 million on its physical security, with a 24/7 security team of something like 25 security guards. It is a big site. Ninety per cent or so of its work is for Ukraine. That is not a political statement: it is a statement of fact. It is struggling to recruit because of the perception locally and in the local newspaper.

It is seeing protesters on the roof, smashing through into the factory. This is affecting all sorts of things that it does, including its ability to provide equipment into Ukraine. It is not a weapons system. It is a defensive piece of equipment, but it is a consumable item. It gets used up and you need to keep manufacturing. It is having a huge impact.

I can only mirror what Warrick said. We run about 60 events a year. We do not publish the address of those now. We cannot put it online because of protesters. We all face similar issues.

Q42 **Jack Rankin:** I am afraid you paint quite a depressing picture there. Can I just say, at least for my part, how sorry I am to hear that? The defence industry is the core of defending the democratic values that the west needs. For anyone who wants to get on their high horse about this stuff, you guys are on the frontline, so thank you for all you do and all that your members do.

I was going to ask whether the British Government's Destination Defence communication plan was helping with regards to the attractiveness of your industry. I will let you comment on that, but I also want to ask



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something broader. It sounds like the challenges you have outlined go way beyond that. What is it you need from the British state? What is it you need from the Scottish Government? Do the police take this seriously? Are there cultural problems in universities, where you need free speech protections on university campuses? What kind of different arms can perhaps get rid of some of this sentiment around defence, which is key for us all?

Andrew Kinniburgh: That is a big question. Political commentary on the universities, freedom of speech and that sort of thing is not our territory, I would suggest.

Jack Rankin: I was tempting you.

Andrew Kinniburgh: As a trade association, we are not going to weigh into that. The police do take it seriously, but often these sites will get hit at random and, if you are in quite a rural place, you do not have the resources to respond in terms of policing and covering those sites. Putting in physical security measures and employing a workforce to protect your facility also takes time. As Warrick said, if you can get in that door and create havoc, it is dangerous.

Destination Defence is great, but it comes back, again, to that investment in defence, that longevity, that ability to invest in the long term. Physical security measures, for instance, then become less of an issue, because you have a 10 or 15-year programme that you are working on. You can invest more slowly and perhaps more deliberately, rather than having to react to events on the ground.

Warrick Malcolm: From our perspective, we are used to robust challenge. Nobody has any difficulty with robust challenge. The current environment has moved beyond that to actually be a real existential problem for some of the companies. It makes it a pretty difficult environment. Everybody is absolutely fine with robust challenge.

ADS is working with the MOD and others on the Destination Defence campaign. It is really important for us to not be complacent and to make sure we are doing all that good stuff. For Scotland, we are looking for a little bit of leadership from Scottish parliamentarians and from the Scottish Government to challenge some of those views and to offer an informed alternative.

I mentioned the challenges around our parliamentary reception with 200 protesters. There were MSPs outside the Parliament supporting the protesters. From our perspective, that is quite difficult. Again, if you are an apprentice, and you see one of your parliamentary representatives out there encouraging the protesters, that is quite difficult. That was not an informed debate. That was not moving anybody's understanding forward. We need a little bit of leadership and a little bit of maturity in terms of how we address some of these issues. A bit of leadership would be great and would help us to tell that positive story.



Q43 Elaine Stewart: The Society of Maritime Industries has cited competition from the energy and construction sectors as a barrier to attracting and retaining skills. Is that something your members recognise? What can be done to improve the competitiveness of the sector?

Andrew Kinniburgh: Yes, absolutely. As Warrick said—and I think I did as well—we are all fishing in the same pond, particularly locally in Scotland or in some of the English and Welsh regions. Yes, it is definitely a problem. Things like the civil nuclear programme can throw money at these things. They almost feel like they have an infinite budget. Perhaps that is a statement too far, but they can pay really top dollar. If you are a young guy or girl coming through in your early career and someone offers you 10 quid more an hour, it is very tempting, is it not? You might want to go there, even though the pride in building a ship, a submarine or whatever it might be is enormous and you have a very long career ahead of you.

It is definitely a problem. Defence does pay quite well. It is not like we are underpaying and then losing talent because of that. It is just the shortage of supply, and then we are back to the old issue of vocational skills in the UK and the ability to bring big numbers of young people through.

Warrick Malcolm: I completely agree. If anything, the situation is getting worse as new technologies come in. Everybody is thinking about AI at the moment. That is a technology that will apply to absolutely every sector at the moment. Defence is looking to see how it can adopt AI technologies. You are now competing with banks, lawyers—you name it. It is extremely challenging and, again, goes back to that point about the skills system and making sure we are doing enough to supply the right people at the right time.

Elaine Stewart: That is why we really need a defence college somewhere in Ayrshire.

Andrew Kinniburgh: Absolutely—and in Inverness, obviously.

Chair: That could be a very controversial subject.

Q44 Mr MacDonald: On the bit about politicians being supportive, I am a Liberal Democrat and a former Army officer. I am incredibly supportive and I have already messaged the head of the Lib Dems in Scotland. He has come back saying, “Absolutely.” It is something I really understand and will really push, to help to support on that.

My question is about utilising the skills in the oil sector in Aberdeen. We clearly have a lot of engineering skills in Aberdeen and a concern about loss of jobs. Is that a sector you can work with to help to build our defence industry?

Warrick Malcolm: Absolutely, and we already do. We have a relationship with some of the trade associations already based in Aberdeen and we have traditionally worked with the oil and gas and



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subsea sector. We ran an event a while back with Thales in Glasgow, which is responsible for the periscopes, continuous at-sea deterrent and a whole lot more besides. The subsea sector is one area where Scotland has a huge amount of expertise and could be a centre of excellence.

We have the submarines based at Faslane. We are already working. We had about 100 companies at that event all talking about either existing technologies that are being used in oil and gas or R&D that could be used within our sectors. That is something we are incredibly alive to and keen to do more of. Indeed, DIS mentions that we should be doing more of that.

Andrew Kinniburgh: We are exactly the same. These are the two main sectors where we are seeing the biggest demand for membership. I suspect ADS is similar in this, because membership is growing quite quickly at the moment for all the defence trade associations. We need to be careful not to overhype the sector and say the streets are paved with gold because, as we know, they are not yet. Whether they ever will be, we do not know.

We have quite a cluster of members in Aberdeen, which bring that amazing capability in rugged, safety-critical, highly complex and very high-tolerance precision engineering. These are exactly the kind of skills and capability we need in defence. We have probably had 15 or 20 companies join from a pure oil and gas perspective.

The challenge is that it takes quite a while. You have the engineering skills, you have the capability, but then it is talking about Cyber Essentials Plus and all those defence-type capabilities that you need to then develop within that very capable engineering business. That takes a wee bit longer. You are probably looking at 18 months to a couple of years before you can go from a pure oil and gas play into a credible defence company, unless you are lucky.

Q45 Dave Doogan: What you say is very interesting Mr Kinniburgh. In the defence space, the subsea environment is increasingly contested and the defence of that realm will rely on subsea technology and capability. Is it your contention that the just transition for oil and gas workers should go beyond transitioning from one form of energy to another and actually transition from one form of engineering, science and technology, and the practical application of it, to another, including defence?

Andrew Kinniburgh: Yes, absolutely. It is a very good point. Look at Saab, which is based out of Fareham down near Southampton. It has acquired an oil and gas subsea business, but obviously has a big defence business as well. It would be amazing to see maybe that centre of excellence in Aberdeen, or around that area, using that capability. It is also about using the test and evaluation ranges for undersea testing of defence equipment and using the capabilities at Faslane, with the nuclear submarine base there as well.



Q46 **Chair:** Can I ask you very briefly about the defence skills passport? Is that going to help us to fill the gaps?

Andrew Kinniburgh: We hope it will. The challenge we have had in defence is the lack of a common language. I remember a few years ago chairing a session on skills. It was an event the MOD was running and I chaired the session. There was a programme running in the MOD trying to align the language between the Army, the Navy and the Air Force. When you hear that, you feel a bit depressed. We need a common language between the military, the civil service and industry.

We need to use common terms. You have probably come across the zig-zag career concept of people moving from industry into the MOD, either as a civilian or military, and back out again. We desperately need that common language. The defence skills passport is a big step forward, but we still need to work really hard on creating that common language—that common dictionary—across all of the defence sector from beginning to end. That would probably make life a whole lot easier.

Warrick Malcolm: We are extremely supportive of the idea. Not to underestimate the challenges in making it work across sectors, making it work across regions and trying to avoid any commercial sensitivities where people move from one company to another, but it could be a way to address some of the skills problems that organisations such as SMEs face. There are a lot of challenges in it, but we are really supportive.

Chair: Mr Malcolm and Mr Kinniburgh, thank you both very much for your evidence this morning. It has been very interesting. I know we have been tempting you to predict the outcome of elections and all sorts of other things, so we are grateful to you for your forbearance as well. It has been a very interesting session. Thank you very much.