

Written evidence from Society of Maritime Industries (DEF0033)

The Relationship between the Government and the Defence Industry

Overview

About the Society of Maritime Industries

The Society of Maritime Industries (SMI) is the voice of the maritime engineering, science and technology industry across the UK. Our members include companies across the full spectrum of maritime capabilities: from naval shipbuilding and marine systems integration to autonomous platforms, underwater technology, marine science and professional services. Our Maritime Defence and Security Group (MDSG) convenes firms active in naval defence, maritime security, and the supply of systems, equipment and services to the Royal Navy, allied navies and wider defence customers.

This submission draws on the expertise of MDSG members, many of which are small and medium-sized enterprises (SMEs) operating within the naval defence supply chain. It reflects the unique perspective of the maritime defence industrial base, a sector directly relevant to several areas of the Committee's inquiry, including: procurement reform, the development of autonomous systems, supply chain resilience, regional industrial capacity, and the regulatory environment for emerging maritime technologies.

Submission

Question 1: A New Government-Industry Partnership

SMI welcomed the Strategic Defence Review's call for a new partnership with industry, which is particularly important for the maritime sector. The National Shipbuilding Office (NSO) has begun to demonstrate the potential value of a more strategic and coordinated relationship between government and industry, including through its work to improve visibility of future vessel requirements. This provides a useful model for long-term planning and partnership. However, companies in the maritime engineering, science and technology industry continue to experience unpredictable order flow and limited visibility of funded requirements. The SDR's recognition that industry can scale production only through genuine partnership is welcome, but the challenge is to embed this approach consistently across the procurement system.

Cultural change is needed on both sides of this partnership. Within the Government, the prevailing risk-averse culture must give way to a more

collaborative posture that treats industry as a partner in solving problems rather than simply a vendor to be held at arm's length. This requires empowering programme teams to engage with industry earlier and more openly, sharing operational problem statements rather than prescriptive specifications, and maintaining dialogue between competitions. For industry, it requires greater transparency on cost, capacity constraints and technological readiness, and a willingness to invest alongside government in developing capabilities that may not deliver immediate commercial returns.

A further practical challenge is the continuing churn of personnel within the MoD, and with it the loss of expertise and experience between programmes and, in some cases, during live procurements. MoD teams are frequently less experienced than their industry counterparts, which fosters risk aversion and excessive specification, and it is unclear how acquisition strategies can be informed by lessons learnt when those involved in previous procurements are no longer available. Retaining and developing procurement expertise within the National Armaments Director's organisation should be a priority.

The creation of the role of National Armaments Director (NAD), the publication of the Defence Industrial Strategy, and the commitment to a five-year acquisition pipeline are all positive structural steps, but progress in implementation has been uneven. The Defence Investment Plan (DIP), which is intended to translate the SDR's strategic vision into funded capability decisions, has not yet been published. Until that plan is available, industry lacks the demand signals it needs to make investment decisions with confidence. In the maritime domain, where major platform programmes span decades and require sustained investment in infrastructure, skills and supply chains, the absence of a clear funded pipeline is a significant constraint on the partnership envisaged in the SDR. For maritime programmes in particular, a five year Acquisition Pipeline horizon is short relative to ship procurement and investment timescales, and it is not yet clear how frequently the pipeline will be refreshed.

The maritime sector also illustrates a broader gap: the SDR's partnership model has hitherto been articulated primarily at the strategic level and in relation to the largest defence primes. For the hundreds of SMEs that constitute the supply chain, the practical experience of engaging with government has yet to change materially. True partnership needs to extend throughout the entire supply chain.

Question 2: Procurement Reform and Segmented Procurement Model

The introduction of the segmented procurement model, with three distinct buying lanes and ambitious time-to-contract targets, is a welcome departure from the previous one-size-fits-all approach. The concept of a rapid lane capable of bringing drone and counter-drone systems onto contract within three months, a modular lane for upgrades within 1 to 3 years, and a major platforms

lane within 2 to 6 years is – in principle – well suited to the maritime domain, where the Royal Navy's requirements span the full spectrum from rapidly evolving autonomous surface and underwater systems to complex multi-decade warship programmes.

However, maritime procurement continues to suffer from familiar flaws. Decision-making timelines for major naval programmes remain protracted; for example, the Type 26 programme has been in development since the early 2010s and the Fleet Solid Support (FSS) ship programme took years of deliberation before the contract was finally awarded. These delays have consequences not only for military capability but for the industrial base, eroding skills and deterring investment, even as new entrants join the market through autonomy and smaller vessel programmes. The segmented model must be accompanied by genuine authority and accountability for meeting its stated timescales.

Procurement competitions are frequently unnecessarily long and heavy, requiring significant investment of time and resource by bidders, a burden that falls disproportionately on smaller companies and deters market entry. While the MoD has often engaged early with the market, typically at prime contractor level, it is not always clear how that engagement has shaped the resulting procurement strategy.

For maritime autonomous systems, the rapid lane presents a particularly important opportunity. The concept of a 'Hybrid Navy', which envisages crewed platforms operating alongside autonomous surface and underwater vessels, requires an agile procurement approach that can keep pace with the rapid development cycle of autonomous technologies. AUKUS Pillar II work on maritime autonomous systems, including the Maritime Big Play programme, demonstrates that tri-lateral experimentation and rapid integration are achievable. The domestic procurement system must be equally responsive.

The Procurement Act 2023, which came into force in February 2025, provides additional flexibility through the Competitive Flexibility Procedure, while the designation of shipbuilding as a sector marked for priority procurement reform is a welcome recognition of its strategic importance. The critical test will be whether these reforms translate into faster contracting and more predictable demand signals for the maritime supply chain.

The default use of design and build competitions at whole ship level also merits examination. Competing at ship level limits the MoD's ability to influence choices at system and equipment level and narrows opportunities for the wider supply chain. Alternative models, in which the design is developed centrally and construction is tendered separately, have been used successfully in the past and could offer greater flexibility, control and scalability.

Question 3: UK Defence Innovation and Dual Use Technologies

UK Defence Innovation (UKDI) was launched on 1 July 2025 with a £400 million ringfenced budget and a mandate to act as a single entry point for innovative companies seeking to supply the country's defence capabilities. The concept of consolidating the previously fragmented innovation landscape – bringing together the Defence Innovation Unit, Command Innovation Hubs and DE&S Future Capability Innovation under one umbrella – remains the right approach. UKDI is expected to be fully operational by July 2026, and we understand work continues to that end.

From a maritime perspective, the dual-use opportunity is substantial. Maritime autonomous systems technology has significant civil and commercial applications alongside its defence utility, from offshore energy inspection and environmental monitoring to port security and hydrographic survey. The UK maritime autonomy sector already generates more than £600 million in annual turnover and supports around 2,000 high-value jobs, with the potential to capture a significant share of a global market projected to reach over \$200 billion by 2033. UKDI should recognise and actively exploit this dual-use character, ensuring that its innovation investment supports technologies with both defence and commercial market pathways.

Access to funding and finance is critical for the SME base developing dual use technologies. Innovate UK is increasingly directing its research, development and innovation funding towards technologies with both defence and resilience applications, including through dedicated competition programmes. This is a welcome complement to UKDI, and the two organisations should work in lockstep so that companies supported by Innovate UK at earlier technology readiness levels have a clear route into UKDI programmes and, ultimately, into funded defence procurement. This continuum between civil and defence innovation funding is especially relevant to maritime autonomy, where the same platforms, sensors and subsea technologies serve commercial, scientific and naval customers.

The Government must accept a greater level of risk in its procurement of innovative technologies, particularly in the maritime autonomous systems domain. The current approach, in which companies need to demonstrate high technology readiness levels (TRLs) before government will consider procurement, creates a 'valley of death' that is particularly acute for maritime SMEs developing novel autonomous systems, sensors and subsea technologies. UKDI's ambition to fund projects to at least TRL 6 within six-month cycles is encouraging, but it must be matched by a clear procurement pathway that allows successful technologies to transition into funded programmes of record rather than remaining stranded as perpetual demonstrators.

The inclusion of maritime autonomous systems in the Regulating for Growth Bill, announced in the King's Speech in May 2026, is a significant and welcome development. By creating cross-economy sandbox powers that allow the temporary modification of existing shipping legislation to facilitate controlled testing of autonomous maritime technologies, the Bill could potentially remove one of the most persistent regulatory barriers to innovation. SMI has worked for many years to develop industry-led conduct principles and codes of practice for MASS operations, and we stand ready to support the development and implementation of these sandbox provisions.

Question 4: Barriers Facing Smaller Businesses

The maritime supply chain is overwhelmingly composed of SMEs. The barriers they face in engaging with defence procurement are well documented but remain largely unresolved, despite successive policy commitments to improve SME access. The Defence Industrial Strategy's target to increase defence spending with SMEs by £2.5 billion by 2028, the creation of the Defence Office for Small Business Growth and the new SME Commercial Pathway are welcome commitments, but several structural barriers persist.

The Defence Office for Small Business Growth has a particularly important role to play. To be effective, it must operate as a genuine single front door for smaller companies: improving the visibility and accessibility of procurement opportunities, simplifying routes into the supply chain, and providing practical support on security clearances, accreditation and contracting. SMI would welcome early and structured engagement between the Office and sector trade associations, which are well placed to aggregate SME feedback and help target support where it is most needed.

Security clearance requirements represent a significant obstacle. Many maritime SMEs developing innovative technologies in areas such as autonomous systems, underwater sensors, electronic warfare and cyber security cannot access the classified requirements and programme information they need to develop relevant solutions. The Defence Growth Deal for Wales includes specific provisions to improve direct SME access to classified work, and this approach should be extended across the defence enterprise. Secure innovation hub facilities of the kind planned under the regional Defence Growth Deals could be transformative if properly resourced and accessible.

The burden of compliance with defence-specific standards, accreditation requirements and information assurance protocols is disproportionately heavy for smaller companies. The SDR's promise of a 50% reduction in the regulatory burden of Defence Standards is welcome in principle, but the timeline and mechanism for delivering this reduction remain unclear. For maritime SMEs, the cost and complexity of achieving and maintaining JOSCAR accreditation, Cyber

Essentials Plus certification and the various project-specific security requirements can be prohibitive.

Over recent years, defence procurement has moved further towards reliance on prime contractors, limiting subcontractors' direct engagement with MoD teams and in many cases increasing costs. The commercial constructs adopted by the MoD, including the way the Procurement Act 2023 is interpreted and a continued desire to transfer client risk onto prime contractors, have widened the gap between the client and specialist SMEs over the past decade. This position serves the interests of prime contractors but does not necessarily serve SMEs or the MoD itself. The relationship between prime contractors and their supply chains therefore requires continued attention. For many SMEs in the maritime sector, the terms on which they engage in defence supply chains can affect their ability to invest, innovate and scale. Issues such as payment terms, intellectual property arrangements and the flow-down of contract requirements can place particular pressure on smaller companies. The Small Business Protections (Late Payments) Bill, announced in the King's Speech 2026, could have a positive impact if applied effectively to defence supply chains. The Ministry of Defence (MoD) should also consider how its commercial approach can support fair, transparent and sustainable relationships across all tiers of the supply chain.

Question 5: Security and Resilience of Defence Industry Activities

The maritime sector faces distinctive cyber security challenges. Naval and maritime systems are increasingly networked and reliant on software-defined capabilities, while the integration of autonomous platforms into fleet operations creates new attack surfaces. The connectivity required for remote operations of autonomous vessels, satellite communications for beyond-line-of-sight control and the use of AI in decision-support systems all introduce vulnerabilities that adversaries may seek to exploit.

As the supply chain expands to incorporate more SMEs and non-traditional defence companies, particularly in the autonomous systems and data analytics sectors, the challenge of maintaining adequate cyber security across the enterprise becomes more acute. Many of these companies bring valuable innovation but may face different resource and compliance challenges from larger organisations when meeting defence-grade information assurance requirements. The Government should invest in accessible, scalable cyber security support across the maritime supply chain, including shared secure infrastructure, proportionate accreditation pathways and practical guidance tailored to companies of different sizes and levels of defence experience.

The Cyber Security and Resilience Bill is an important measure that will bring managed IT service providers and data centres within the scope of cyber security regulation. For the maritime sector, the Bill's provisions should be

complemented by sector-specific guidance that reflects the particular risks associated with maritime operations, including the cyber security of autonomous vessels, port and harbour infrastructure and undersea cable networks. The Atlantic Bastion programme, announced to address undersea threats in the North Atlantic, underscores the growing importance of protecting maritime critical infrastructure from malign activity.

Question 6: Regional Industries and Defence Growth Deals

The maritime sector has a ubiquitous presence across the UK's nations and regions in a way that few other industries can match. Its industrial base is anchored in places such as the Clyde and Faslane in Scotland, Devonport and Appledore in the South West, Barrow-in-Furness and Birkenhead in the North West, alongside Rosyth, the North East, the Solent and emerging centres of maritime autonomy in Wales and the South West.

The Solent merits particular attention. The region hosts a dense concentration of companies working on maritime autonomy, from uncrewed surface vessel design and construction through to sensors, subsea systems and mission autonomy, alongside HM Naval Base Portsmouth, where operational experimentation is building the practical understanding required for the Hybrid Navy. The cluster also carries out a substantial proportion of in-service support for UK forces boats. Its strength lies in combining innovation, prototyping, series production and through-life support within a single geography, allowing capability to move from concept to operational use at pace. Despite this, the Solent has not been the focus of a Defence Growth Deal, and its contribution is frequently understated in national defence industrial discussion. Recognising and building on established clusters, rather than concentrating support only in designated centres, would make better use of existing capability. The five Defence Growth Deals announced to date in Wales, Scotland, Plymouth and the South West, South Yorkshire and Northern Ireland, collectively worth £250 million, are a tangible expression of the Government's commitment to making defence an engine for growth across the UK. For the maritime sector, the Wales deal's focus on autonomous technology and uncrewed systems, along with the Plymouth deal's emphasis on maritime autonomy and shipbuilding, are particularly relevant.

For Defence Growth Deals to succeed, they must achieve several things. They must generate sustained demand for the regional industrial capabilities they are designed to support, not simply provide time-limited grants that leave companies without a market once the funding ends. They must coordinate effectively with wider defence procurement decisions, so that the capabilities developed through Growth Deal investment are actually utilised in defence programmes. And they must be designed in genuine partnership with local industry and devolved/regional authorities, not imposed from Whitehall with insufficient attention to local conditions and existing strengths.

The role of the National Shipbuilding Office (NSO) in coordinating cross-government shipbuilding procurement, including both naval and civil vessels, provides a useful model for how defence industrial policy can be aligned with regional economic development. The NSO's 30-year pipeline of government vessel procurements gives visibility of future demand across the shipbuilding enterprise, including the wider supply chain. However, the NSO's effectiveness depends on its ability to influence procurement decisions across departments, and its relationship with the new NAD structure requires further clarification.

The value of the pipeline depends, however, on the commitment to deliver it. Since the pipeline was first published, a significant number of vessel projects funded in whole or in part by the taxpayer have been contracted overseas, while others have been cancelled or delayed. A published pipeline that does not translate into onshore orders misleads rather than informs industry, and cannot be regarded as investment grade. The NSO's influence should be exerted at the acquisition strategy stage, ensuring that resilience, UK content and industrial impact are weighed before competitions are launched, rather than in individual contract decisions.

For the pipeline to have real meaning for UK yards, procurement competitions for government vessels should give appropriate weight to onshore construction. HM Treasury's Green Book methodology has long been cited as a barrier, giving little or no weight to domestic employment, tax revenues or industrial resilience when assessing value for money. Commitments to use Social Value criteria in support of UK industry have so far produced limited visible effect. In the current threat environment, resilience provides a clear and legitimate justification for a procurement approach that favours UK construction of government vessels.

Question 7: Industrial Capacity to Meet Increased Defence Spending

The maritime industrial base has the capability, expertise and national footprint to help deliver the Government's increased defence ambitions, but scaling that contribution will require sustained attention to the conditions that enable industrial growth. The principal constraints are threefold: workforce and skills shortages, pressure on physical infrastructure, and the need to strengthen the resilience of the SME supply chain.

The UK's shipbuilding workforce has contracted significantly since the end of the Cold War, and rebuilding it takes time. The Defence Industrial Strategy's projection of up to 50,000 additional defence jobs across the UK by 2034/35 is ambitious, and the plans for Defence Technical Excellence Colleges are a positive step. However, the maritime sector faces particular skills challenges: naval architecture, marine engineering, welding and fabrication, and the specialist skills required for submarine construction are in short supply and cannot be rapidly regenerated. A sustained, coordinated effort is required

across government, industry and the education sector, working in partnership with trade unions, to rebuild the pipeline of skilled workers the sector needs.

Physical infrastructure must be considered alongside demand. The steel cutting at Appledore for the Fleet Solid Support programme and the investment at BAE Systems Barrow for continuous submarine production are positive signals, and significant recent investment in fabrication facilities means that the principal constraint is not physical capacity but the demand to utilise it. The most effective route to resilience is an active and busy shipbuilding and ship repair industry, including its engineering and design base: shipbuilding capability can only be maintained by building ships. Directing government vessel requirements to UK yards would sustain a higher base level of design and production activity, from which output could be scaled in partnership with industry when required. Surge capacity that is not founded on an active sector is unlikely to be deliverable, and the commercial construct of any capacity investment requires careful design.

The SME supply chain is perhaps the most vulnerable element. Many maritime SMEs operate at the margins of commercial viability, sustained by small and irregular orders from a limited number of defence customers. An increase in defence spending will only benefit these companies if it is accompanied by predictable order flow, reasonable payment terms and contracts of sufficient duration to justify investment in skills and equipment. Without these conditions, the risk is that increased spending flows predominantly to overseas suppliers or large domestic primes, rather than building the resilient, UK-based supply chain that national security demands.

Question 8: Supply Chain Constraints

The maritime sector is exposed to significant supply chain risks, both domestic and international. Specialist steels, castings and forgings required for naval construction are sourced from a limited number of suppliers, several of which are based outside the UK. Electronic components, particularly semiconductors and specialist sensors, are subject to global supply chain pressures and long lead times. Energetic materials and propulsion system components have constrained supply bases that are vulnerable to disruption.

The war in Ukraine has exposed the fragility of defence supply chains across NATO. In the maritime domain, the lesson is clear: sovereign capability in critical supply chain inputs is not a luxury but a strategic necessity. The Government's investment of £1.5 billion in an 'always on' munitions pipeline and the plans for at least six new energetics and munitions factories are welcome steps. However, the maritime supply chain extends well beyond munitions to include the full range of systems, equipment and materials required to build, maintain and operate naval vessels and autonomous platforms.

The Acquisition Pipeline should be used to provide industry with sufficient visibility of future demand to justify investment in domestic supply chain capacity. The Defence Industrial Strategy committed to launching a new UK offsets regime by early 2026, subject to public consultation with industry. For the maritime sector, the regime should direct a meaningful share of the value of major defence contracts, particularly those awarded to overseas primes, into the UK supply chain, including maritime SMEs. Offset commitments should be transparent, measurable and enforceable, and should prioritise technology transfer, skills development and long term industrial capability rather than one off workshare arrangements. The regime should also be aligned with the National Shipbuilding Office's procurement pipeline, so that offset obligations reinforce rather than duplicate existing shipbuilding and supply chain strategies. Recent government to government arrangements illustrate both sides of this debate. Where reciprocal procurement commitments result in vessels that could have been built in UK yards being sourced from partner nations, the UK should be equally prepared to require offset or UK content commitments from overseas suppliers winning UK contracts. Offshore energy contracts in UK waters would be a logical starting point for UK content requirements. Government support craft requirements also present an opportunity for strategic arrangements under which commercially operated vessels, and their crews, could be taken up from trade in the event of conflict, drawing on the precedent of the original Strategic Sealift contract. Where critical supply chain inputs are sourced from overseas, the Government should work with allies to establish assured supply arrangements, building on models such as the AUKUS framework and existing NATO procurement cooperation agreements. The nationalisation provisions in the Steel Industry (Nationalisation) Bill announced in the King's Speech underscore the strategic importance of maintaining domestic steelmaking capacity, which is directly relevant to naval shipbuilding.

Question 9: Consumables and Sustained Conflict Capacity

The maritime dimension of consumables and sustained conflict capacity is underappreciated. In addition to the munitions and missile stocks required for naval operations, sustained maritime warfare demands high rates of consumption of torpedoes, anti-ship and land-attack missiles, naval mines, sonobuoys, decoys and countermeasures. The war in Ukraine, and the Red Sea operations against Houthi forces, have demonstrated that modern conflicts consume precision-guided munitions at rates that rapidly exhaust existing stockpiles.

The UK's 'always on' munitions production commitment must encompass the full range of maritime consumables, not solely land-centric ammunition. This requires sustained investment in the UK's naval weapons supply chain, including the companies that manufacture torpedo components, missile sub-assemblies, electronic warfare expendables and unmanned maritime systems

intended for attritable use. Many of these companies are SMEs with limited production capacity; scaling up requires not only capital investment, but also assured demand over a sufficient period to justify that investment.

The growing role of autonomous systems as consumable assets in naval warfare adds a further dimension. The Hybrid Navy concept and UKDI's investment of over £140 million in its first year into new drone systems both reflect the recognition that uncrewed platforms will be employed in large numbers and may be expended in operations. Maintaining an 'always on' production capacity for maritime autonomous systems requires a different industrial model from traditional naval procurement: one that favours modular design, rapid manufacture and a supply chain capable of scaling production in response to operational demand.

Question 10: Regulation and Its Impact on Defence Delivery

The regulatory framework for the maritime sector is complex, spanning defence-specific regulations, civilian maritime safety law, environmental requirements and export controls. While regulation is essential to ensure safety and accountability, the cumulative burden can act as a brake on innovation and delay the delivery of new capabilities.

Maritime Autonomous Surface Ships (MASS) provide a compelling case study. Existing UK shipping legislation was conceived on the assumption that vessels would be navigated by a master and crew aboard, creating complexity and legal uncertainty for companies developing autonomous platforms. MASS are currently only able to operate in UK waters by way of exemptions, exceptions and equivalences to existing regulations, requiring operators to navigate a convoluted process of safety case approval, voyage-specific exemptions, port authority permissions and liaison with classification societies and insurers. This regulatory friction slows innovation and deters investment.

The inclusion of MASS regulation as a sandbox case study in the Regulating for Growth Bill is a highly significant step that SMI has long advocated. The Bill's proposed cross-economy sandbox powers, which would allow the temporary modification of existing rules under strict safeguards to facilitate controlled live-market trials of autonomous maritime technology, could substantially reduce the regulatory barriers that currently impede both commercial and defence applications of MASS. SMI urges the Committee to support the timely passage of these provisions and to ensure that the sandbox framework is designed in close consultation with industry through bodies such as the Maritime Autonomous Systems Regulatory Working Group (MASRWG).

Export licensing is a further area of concern. The Defence Industrial Strategy has promised an improved export licensing system with a new digital platform, better staff training and reformed procedures, including allowing exporters to apply for licences during the bidding process. These reforms cannot come soon

enough. The challenge extends beyond training to the staffing levels within the licensing system and the support available to those administering it. Maritime defence companies, particularly SMEs, regularly report that the current export licensing regime is slow, unpredictable and a significant competitive disadvantage relative to international competitors. Given that UK defence exports reached record levels in 2025, with the largest ever warship export agreement, it is essential that the export licensing system keeps pace with ambition.

Export licensing reform should be seen as one element of a wider international trade agenda. The Defence Industrial Strategy's creation of the Office of Defence Exports, alongside the expansion of UK Export Finance's capacity to £80 billion and its direct lending facility to £13 billion, represents a significant commitment to supporting defence exporters. For maritime SMEs, which often lack the resources to navigate overseas defence markets independently, these mechanisms could be transformative, provided they are made genuinely accessible to smaller companies rather than absorbed primarily by the largest exporters.

Question 11: Lessons from Other Jurisdictions

Several international models offer instructive lessons for the UK's management of the government–defence industry relationship, particularly in the maritime sector.

France maintains a substantial state-owned defence industrial base through entities such as Naval Group, enabling long-term strategic planning and investment in naval shipbuilding capacity that is less dependent on short-term commercial returns. While the UK has made a different structural choice, favouring a predominantly private-sector defence industry, the French model illustrates the value of long-term industrial planning backed by consistent sovereign demand.

Australia's approach to naval shipbuilding through the continuous shipbuilding programme offers a relevant comparator. Australia's commitment to continuous naval construction, avoiding the 'boom and bust' cycle that has characterised UK naval procurement, provides the workforce stability and supply chain confidence that the UK's maritime sector has long sought. The AUKUS partnership provides a framework through which the UK and Australia can share industrial best practice and align their approaches.

The United States' Defense Innovation Unit (DIU), on which UKDI is in part modelled, demonstrates the value of a dedicated organisation that can identify commercially developed technologies and rapidly transition them into defence programmes, bypassing traditional acquisition pathways. The US approach to Other Transaction Authorities, which allow the Department of Defense to contract for prototype projects outside the standard procurement framework,

has enabled significantly faster engagement with non-traditional defence companies and could be further emulated in the UK context.

Norway and other Nordic nations offer examples of effective integration of defence industrial policy with regional economic development, leveraging relatively small but highly specialised maritime defence industries to deliver world-class capability. Norway's approach to naval procurement, which favours domestic design and build while maintaining interoperability with NATO allies, offers lessons for how the UK might balance sovereign capability with the realities of a competitive international market.

Conclusion

The Strategic Defence Review and the Defence Industrial Strategy represent the most comprehensive attempt in a generation to reset the relationship between government and industry. SMI welcomes their ambition and the structural reforms they have initiated, but their success will depend on implementation. The Defence Investment Plan has yet to be published, UKDI is still reaching full operational capability, and the segmented procurement model is yet to be tested at scale. Meanwhile, the SMEs that form the backbone of the maritime defence supply chain continue to face many of the same barriers to engagement that have persisted for years. A consistent theme across this submission is the need for a more joined up and strategic approach from Government, in which procurement decisions, industrial policy and resilience objectives reinforce one another.

The Committee's inquiry comes at a critical moment. The decisions made in the coming months – on the Defence Investment Plan, the Regulating for Growth Bill's MASS provisions, the detailed design of UKDI's operating model, export licensing reform, and the implementation of Defence Growth Deals – will determine whether the SDR's vision of a new partnership with industry becomes a reality or remains an aspiration. The maritime sector is ready to play its part, but requires from government the consistency of demand, clarity of regulation and speed of decision-making that a genuine partnership needs.

22 July 2026

Annex I – Full Questions

1. The 2025 Strategic Defence Review called for the creation of a new partnership between the Government and the defence industry, moving away from a customer-vendor relationship. What cultural and practical changes are needed for the Government and industry to bring about this new partnership and ensure that defence capability is fit for purpose? What progress has the Government made in implementing the Strategic Defence Review's recommendations to bring about this new partnership, and how much further does it need to go?
2. How do defence procurement processes and contracts need to change to adapt at pace to new technologies and requirements, such as drone and anti-drone capabilities, and what progress has the Government made in moving towards its new segmented procurement model?
3. What progress has been made in establishing UK Defence Innovation and allowing greater freedom in the procurement of innovative and dual-use technologies for Defence? To what extent does the Government need to accept a greater level of risk in its procurement of new technologies and innovative capabilities, and what would this involve?
4. What barriers do smaller businesses face in interacting with the Ministry of Defence's procurement processes, including when they are part of the supply chain for a larger, prime contractor? How should these barriers be addressed?
5. How can the Government and industry ensure that defence-related industry activities are secure and reliable, even in the face of malign activity and disruption, such as cyber attacks? What action should the Government take in this area, particularly as more SMEs and non-traditional companies become defence suppliers?
6. How do the Government, devolved, regional and local authorities work together to support local and regional defence industries? What will Defence Growth Deals need to achieve in order to be a success?
7. To what extent does the UK defence industry have the capacity to meet the expected increase in defence spending? What are the main limitations to UK-based companies providing the necessary capacity, and how should these be addressed?
8. To what extent are there constraints in supply chains to providing the necessary capacity, particularly where those supply chains are based outside the UK? Is further Government action needed to provide greater stability in access to necessary supply chain inputs?
9. Does industry have the capacity to provide a sufficient level of consumables, such as munitions and drones, over a sustained period in the event of war? What level of 'always on' capacity is needed to support this and what support should the Government provide?

10. How does the regulation of the defence sector affect investment and the delivery of defence requirements? Do defence and regulated regulators pose any barriers to the delivery of defence requirements and new technologies, and what changes to the regulatory framework are necessary?
11. What lessons can the UK learn from how the relationship between the defence industry and the Government is managed in other jurisdictions?

22 July 2026