

## **Written evidence submitted by ADS Group Ltd (DIS0002)**

### **DEFENCE IN SCOTLAND: ADS SUBMISSION TO SCOTTISH AFFAIRS COMMITTEE INQUIRY, SEPTEMBER 2021**

#### **1. INTRODUCTION**

- 1.1. ADS is the premier trade association for the UK's defence, security, aerospace, and space sectors. ADS has more than 1,100 member companies across all four sectors, with over 95% of these companies identified as Small and Medium Size Enterprises (SMEs). The UK is a world leader in the supply of defence, security, aerospace and space products and services. From technology and exports to apprenticeships and investment, our sectors are vital to the UK's growth, with companies in 2020 generating £79 billion turnover in the UK, including £45 billion in exports, and supporting over one million jobs.
- 1.2. ADS and ADS Scotland are proud to represent these vital companies in Scotland, who make a significant and valuable contribution to economic prosperity and national security.

#### **2. EXECUTIVE SUMMARY**

- 2.1. The defence industry in Scotland makes an important and significant contribution to Scottish and UK prosperity, as well as national security.
- 2.2. In order to fully maximise the potential of this industry, the UK Government must sufficiently resource and accelerate the implementation of commitments in the much-welcomed Defence and Security Industrial Strategy (DSIS) and set out a joint UK Government-Industry implementation plan for the next year.
- 2.3. The prompt publication of a Land Industrial Strategy, a Defence Space Strategy and a refreshed National Shipbuilding Strategy (including a detailed 30-year Master Plan for all maritime vessel procurements over 150 tonnes) will give the defence industry in Scotland and the UK a greater level of visibility and certainty to encourage further innovation and investment. The prompt delivery of a refreshed Defence SME Action Plan and the Defence Technology Exploitation Programme can further contribute to fostering and strengthening the wider supply chain in Scotland.
- 2.4. ADS and its member companies welcome the commitments to R&D and the skills agenda in the DSIS. To foster industrial R&D investment and a sustainable skills base in Scotland and the UK, greater clarity is needed in terms of the breakdown of R&D spend.
- 2.5. Further, collaborative outreach is required by the UK and Scottish Governments to identify and attract talent in order to continue to meet prosperity and national security objectives well into the future. Alignment on this between the UK and Scottish Governments is essential to delivering on the skills agenda.

2.6. Finally, the siting of MoD bases in Scotland produce significant economic benefit to Scotland. ADS believes that further developing these base links to industry could be crucial to securing further investment and jobs.

### **3. THE CONTRIBUTION OF DEFENCE TO SCOTLAND'S PROSPERITY AND SECURITY**

3.1 The UK defence industry has a significant and rich presence in Scotland, with representation across the country and supply chain.

3.2 In 2020, the contribution of the defence industry to the Scottish economy includes a turnover of almost £2 billion and employment of over 10,000 people, producing almost £1 billion in added value. Average salaries in the industry are £36,500 a year - 20% higher than the UK average. All in all, defence makes a significant contribution to the UK and Scottish Governments' economic and prosperity agendas, and the Prime Minister's levelling-up agenda.

3.3 The defence industry in Scotland is also highly innovative and is investing greatly in technologies of the future to ensure that the UK retains its competitive edge. This investment in new, dual-use technologies will contribute to building the Scottish and UK economy of the future.

3.4 The defence industry in Scotland further plays a vital role in keeping Scotland, the UK and our NATO allies safe, such as through its contribution to maintaining the UK's nuclear deterrent and the Quick Reaction Alert Aircraft at RAF Lossiemouth.

### **4. MAXIMISING THE POTENTIAL OF DEFENCE IN SCOTLAND**

4.1. ADS and its member companies welcomed the publication of the Defence and Security Industrial Strategy (DSIS) earlier this year and the UK Government's stated desire to move away from the 2012 'global competition by default' policy to a more nuanced approach.

4.2. Six months since the publication of the DSIS, we call on the UK Government to accelerate the implementation of this strategy, ensure its sufficient resourcing through the Comprehensive Spending Review and produce a joint UK Government-industry implementation plan for the next year in order to fully maximise the potential of the defence industry in Scotland and the rest of the UK.

4.3. Furthermore, the prompt publication of a Land Industrial Strategy, a Defence Space Strategy and a refreshed National Shipbuilding Strategy (including a detailed 30-year Master Plan for all naval and other planned UK Government vessel procurements over 150 tonnes) will give the space, land and maritime defence industry in Scotland and the UK a greater level of visibility and certainty to encourage further innovation and investment.

4.4. As the three Fleet Solid Support Ships are the first large naval procurement competition after the publication of the DSIS, there is an opportunity for the UK Government to use this programme to signal the move away from global competition by default to a more nuanced position, as well as to take the first step towards

ensuring the long-term viability of the UK shipbuilding industry in a new global era which has demonstrated the strategic imperative of onshore capabilities.

- 4.5. The prompt delivery of a refreshed Defence SME Action Plan and the effective nationwide rollout of the Defence Technology Exploitation Programme are also key to reducing barriers to participation in a collaborative way, especially with regards to ensuring the strength and resilience of the wider supply chain in Scotland, including SMEs, in the delivery of, and support for, UK military capabilities.
- 4.6. ADS also welcomes the £6.6 billion that is being ringfenced for defence R&D by the UK Government. Greater clarity is now needed in terms of where and how this is going to be spent in order to encourage further investment from industry so as to supplement technology and productivity gains.
- 4.7. At the same time, while some action is being taken on the development of relevant skills in defence, further, collaborative outreach and communication is required by the UK and Scottish Governments to identify and attract talent so as to ensure a sustainable skills base in Scotland and across the UK. Alignment on this between the UK and Scottish Governments is essential to delivering on the skills agenda in order to meet prosperity and national security objectives well into the future.
- 4.8. Finally, the siting of MoD bases in Scotland produce significant economic benefit to Scotland. ADS believes that further developing these base links to industry could be crucial to securing further investment and jobs. Collaboration between UK and Scottish Governments, local authorities and industry is a vital part of that development, with the regional growth deals suggesting the potential of such discussions to deliver real and tangible investments in local communities throughout Scotland.

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