

Written evidence submitted by BAE Systems plc (DIS0007)

Defence in Scotland: military personnel and estate

Introduction

At BAE Systems, we provide some of the world's most advanced, technology-led defence, aerospace and security solutions. We have a strong presence in Scotland, established over a considerable period of time and employ more than 3,000 people across the country. Our activity includes our Naval Ships business in Glasgow, with our shipyards at Scotstoun and Govan where we are designing and building the Type 26 frigates, our Maritime Services and Defence Information facilities at Hillend and our Regional Aircraft operations in Prestwick and RAF Lossiemouth, where we provide support and training for the RAF Typhoon fleet.

We are also leading the complete regeneration of ROF Bishopton in order to benefit the local community. The company's impact in Scotland goes further than jobs and the local supply chain, with a great deal of work done to boost local skills, education and the prosperity of local communities.

Annually, we invest more than £100m in education, skills and early careers activities in the UK, with a significant proportion of this in Scotland. This year, we have teamed up with the Royal Navy and RAF to fully fund 600 non-selective state schools across the UK to take part in a STEM educational programme, named Coding Success, which aims to help both educators and students develop confidence with coding and robotics in the classroom. We also have a strategic partnership with the University of Strathclyde.

We are a proud supporter of the Movement to Work programme which provides work experience for young people not in employment or training. Between 2014 and 2021, 114 young people have completed the programme in our Naval Ships business in Scotland, with 51 securing a role with BAE Systems and the rest securing a role with another company or continuing their training, upon successful completion of their placement. We continue to support the programme with 15 young people currently undertaking a placement at our yards in Glasgow this year. Earlier this year we also welcomed our first intake of Kickstart recruits to our UK businesses, including four placements at our shipyards in Glasgow.

We extend our support to the local communities where our people live and work. During the pandemic, we used our 3D printing facilities and worked with our supply chain to source and donate 150,000 face shields to NHS and front line workers.

More recent activity has focused on our aim to reduce the environmental impact of our operations and products. We have partnered with environmental charity, Keep Scotland Beautiful, to become a supporter of Upstream Battle®, an award-winning campaign to tackle marine litter from source to sea. We have also partnered with Fuel Change, a unique platform for the next generation to create a low carbon future, to challenge young people from across Scotland to use their skills and ingenuity to help lower the carbon footprint of the shipyards in Glasgow.

This submission is in response to the Scottish Affairs Select Committee's inquiry, on Defence in Scotland.

1. UK Changing Defence Priorities

What impacts are the UK's changing defence priorities having on investment, employment and communities in Scotland?

The Government's published Integrated Review (IR) of Security, Defence, Development and Foreign Policy will have a significant impact on investment, employment and local communities in Scotland. The IR emphasised how we need to protect strategically important programmes such as the nuclear submarine enterprise, the Future Combat Air System and the Global Combat Ship programme (Type 26), all of which are at the centre of plans to ensure the Armed Forces have the best equipment to serve their purpose. These programmes represent a move towards the information age and demonstrate the Government's ambition to dedicate Global Britain to becoming a cyber-power, where our defence and security capabilities are based around digital technology.

Strategically important and representative of the UK's changing defence priorities, the UK variant of the Global Combat Ship (GCS), the Type 26 for the Royal Navy and its programme are currently utilising and growing workforce capability in Scotland (at BAE Systems' Glasgow Scotstoun and Govan sites) in both the design and manufacture of this class.

In line with the Government's commitment to the Five Eyes partnership, recent export success has resulted in the GCS design being sold to both Australia and Canada where the ships will be built to the modified standard of the respective governments. Whilst the physical ship construction will take place overseas, much of the design will be carried out in Scotland as well as procurement of the complex equipment from the common supply chain. This work is not only important for demonstrating how the Type 26 programme is helping to support the governments' intelligence partnerships like Five Eyes, but it is also important for the BAE Systems' workforce in Scotland as it provides continuity of engineering work/skills utilisation throughout and beyond the completion of the UK Type 26 programme.

The investment into the shipyards and their programmes not only generates direct employment and contributes to Scotland's engineering and manufacturing capability but also sees the Company delivering career-long training and development as well as promoting STEM education and delivering high quality apprenticeship programmes. Within the Naval Ships business, which is largely based on the Clyde, just over 3,500 people in total are currently employed across a range of different roles and skill sets.¹ This includes around 300 apprentices employed across Govan and Scotstoun (including those who started in 2021). This number is expected to increase further in 2022.

The drive from the Scottish Government to sustain and increase local employment is supported by a desire to further invest in digital infrastructure and high technology skills. BAE Systems has a significant presence in Scotland working with a range of partners, SMEs and academia to progress investment in research and development, such as advanced technology and future skills.

BAE Systems has a strategic partnership with the University of Strathclyde, recognising its role as a leading International Technological University to support the company with advanced science, technology and manufacturing. As part of this strategic partnership, the Company supports a number of projects and research activities at Strathclyde along with the support of other universities around the UK. These include support to present and future products and new approaches to aiding BAE Systems in decarbonising the business and products. Recent projects the Company has funded at the University include: inspection, sensing, space and manufacturing, particularly aiding Naval and Maritime technology and sustainability – often with broad applicability to support decarbonisation of the civil marine sector.

The Power Networks Demonstration Centre (PNDC) at Strathclyde is helping to support BAE Systems on electrification of shipping and marine systems. Similarly, the Maritime Safety Research Centre (MSRC) and MarRI-UK work closely with our Maritime business with a real focus on sustainability and

¹ Data extracted on 23/09/2021.

safety for maritime environments as well as developing technology for maritime/naval systems and platforms. Collaborating on research and development projects like this helps to develop the skills of those taking part building stronger supply chains and talent pipelines for the company, Scotland and the UK.

This commitment to the local communities is matched by our goals and ambitions around Net Zero and building a sustainable future. BAE Systems' aim is to reduce the environmental impact of its operations and products, whilst improving energy efficiency, introduce cleaner technologies and develop innovative ways of working. We have set ourselves the target of achieving Net Zero greenhouse gas emissions across our operations by 2030 and are working towards a net zero value change by 2050.

In Scotland, we have been working hard to bring these ambitions into reality. In partnership with Keep Scotland Beautiful, BAE Systems supports the Upstream Battle® campaign to combat litter "from source to sea" by establishing two new Community Clean-Up Hubs within the proximity of our sites at Govan and Scotstoun.² This work to encourage the local communities and BAE Systems employees to reduce their impact on the environment does not stop there as BAE Systems has launched an internally-led Engineering Innovation Challenge for 2021 on the theme of keeping our rivers and oceans clean. This project has challenged a team of BAE Systems engineers, graduates and apprentices to design, build and demonstrate a prototype river cleaning solution for the River Clyde.

This push to challenge and develop young people is further emphasised by BAE Systems joining forces with Fuel Change to task young people from across Scotland to help lower the carbon footprint of the shipyards in Glasgow.³ Not only is this helping to develop the skills of young people and engrain this sustainable thinking but there is significant emphasis on the importance of lowering the carbon footprint of BAE Systems' sites and products, and achieving the goal of Net Zero by investing in new technologies and renewable energy solutions to do so.

2. Military Installations

How important are military installations in Scotland for supporting the UK's international military alliances?

Within Scotland, military installations play a vital role in supporting the UK's international defence and military alliances. This is demonstrated by the clear connections between our sites within England and Scotland. Just one example is the link between our Barrow-in-Furness site, where the Navy's nuclear submarines are built and the HMNB Clyde, better known as Faslane, where these submarines are ultimately housed and serviced. With Scotland's proximity to the waters and skies of the North Atlantic, placing these submarines at Faslane demonstrates Scotland's vital role in protecting our national security.

Additionally, BAE Systems supports the UK Typhoon aircraft out of RAF Lossiemouth, with a dedicated team of 51 individuals. We also provide Aircrew Training through Simulator provision and Pilot Instruction, maintenance services for aircraft and aircraft equipment and physical logistics support. The BAE Systems team is well-integrated into the RAF's Executive Team at RAF Lossiemouth, and works closely with the station on the delivery of output and the development of future support. The RAF Lossiemouth on-base activities are key to the creation of Typhoon Force Operational output and readiness. These teams are supported by a wider BAE Systems project team from engineering, supply chain, maintenance and other supporting functions.

² https://www.heraldscotland.com/business_hq/19356123.shipbuilder-links-environmental-charity-battle-marine-litter/

³ <https://www.baesystems.com/en-uk/article/bae-systems-challenges-scottish-apprentices-to-innovate-for-carbon-net-zero-drive>

BAE Systems has demonstrably played its part in supporting the delivery of Quick Reaction Alert (North) capability in defence of UK Airspace and completing NATO air policing on behalf of our allies. In recent years, there have been numerous occasions when RAF Typhoons have intercepted foreign aircraft in UK Airspace from RAF Lossiemouth. These actions from one of Scotland's RAF bases demonstrates how the military installations in Scotland play a significant role in supporting the UK's military alliances and International and Joint Exercises.

4. Military Infrastructure Investments

How have recent military infrastructure investments affected employment and communities in Scotland?

In addition to sustaining and developing Scotland's workforce capability, the Type 26 programme utilises a broad suite of skills including: complex project management, through the specification and procurement of complex equipment from a global supply chain and other functional skills such as finance, legal and human resource management.

With the recent export success of the GCS design being sold internationally, the potential further investment into the Type 26 programme demonstrates a positive future for Scottish shipbuilding as well as BAE Systems' commitment to shipbuilding and the development of skills within Scotland. With much of the design and the procurement of complex equipment from the common supply chain for the Australian and Canadian ship variants remaining within Scotland, there will be wider benefits to the local communities centred on the preservation of a skilled workforce and economic growth resulting from the creation and safeguarding of jobs.

The programme and indeed the local area has benefited from knowledge transfer over recent years, with 53 secondees coming from Australia to our Scottish sites on the Clyde to learn about the design and build processes and challenges whilst 11 UK secondees are in Australia sharing their expertise directly.

Knowledge transfer clearly provides benefit to the receiving nation, in this case Australia, however the process also provides challenge back to the UK/Scotland, which ultimately acts as a catalyst for BAE Systems and its suppliers to continually advance capabilities in developing tools, techniques and digital processes. As part of the tri-nation working between the UK, Australia and Canada we are now scoping options to provide similar Knowledge Transfer opportunities with Canada as is underway with Australia.

BAE Systems' presence in Scotland is not only defined by our shipbuilding activities, but also in other areas such as the work we do with Prestwick Airport. Currently owned by the Scottish Government, there is a desire to develop opportunities around the airport and the local supply base. With BAE Systems' Air business' significant presence at Prestwick, the company will have a direct effect on approximately 50% of Scotland's aerospace workforce, which is employed locally to Prestwick Airport.

In October 2019, BAE Systems identified the opportunity to expand and diversify the activities taking place in Prestwick, capitalising on skills built up through its civil Regional Aircraft business and drawing on the regional talent pool in the West of Scotland. This commercial part of the Air sector was previously in decline; BAE Systems has invested in the site and its skilled employees, turning the Prestwick site into a core part of the company's engineering capability across multiple platforms and projects, and securing high value employment in the area, with 180 employees. Along with being a centre of engineering excellence, the team at Prestwick delivers capability in maintenance, procurement, commercial and Information, Management & Technology (IM&T), focused primarily on military programmes and capabilities such as F-35, Typhoon, Hawk, Tempest, Phasa-35 and other emerging technology developments, alongside some remaining civil work.

This future landscape looks increasingly positive in other areas too as the Tempest programme continues to develop. The Tempest programme is an exciting and ambitious multi-decade programme that is vital for UK defence and security and to the preservation of sovereign skills. BAE Systems is working in partnership with Leonardo UK, MBDA UK, Rolls-Royce and the UK MOD to deliver the programme. As a key partner in the programme, Leonardo employs 2,200 people in Scotland in highly skilled professions such as software, hardware, electronics and systems engineering. The Tempest programme will see work undertaken by Leonardo UK to develop advanced sensor packages to be integrated into the system's mission system and development of additional world-leading technologies that will create highly skilled jobs across Scotland and the rest of the UK.

Independent analysis has determined that the Tempest programme will generate significant economic benefit for all parts of the UK including Scotland; creating long term and high value jobs and increasing economic productivity. The project is expected to contribute an estimated £26.2bn to the UK economy and is due to support 21,000 jobs nationally.⁴ Regionally the programme is expected to contribute at least £828m Gross Value Added (GVA) in Scotland⁵ while boosting investment in areas of technology in which Scotland is a world leader, including radar and lasers. This conservative estimate is just for the first 30 years of the programme only (2021-2050), but the programme is expected to increase economic productivity to an estimated 60% higher than the current Scotland manufacturing average.

BAE Systems' contribution to local economies is also felt indirectly via the supply chains throughout Scotland. Within BAE Systems' Air business, the Scottish supply chain expenditure between 2019 and 2021 increased from £135m to £154m with a large focus on supporting SMEs. Whilst the five largest suppliers represent between 96%-98% of the Air Sector's spend in Scotland, over 40% of these suppliers are Scottish SMEs. In a similar vein, over the last five years (2016-2021) BAE Systems' Naval Ships business has spent over £1bn in the Scottish supply chain and a further known commitment of £48m is expected between 2019 and 2026.

In terms of wider community benefits to our presence in Scotland, the BAE Systems team and their families around Lossiemouth are integrated into many of the small rural communities within Moray with many playing leading roles in community projects and support groups. Through joint ventures with the Station, BAE Systems is active in organising and delivering STEM events for schools throughout the Moray region.

This commitment to the local area is further demonstrated by the company's pledge to work collaboratively with the Scottish Government, Renfrewshire Council, Scottish Environment Protection Agency (SEPA), NatureScot and the local community to create a vision for a high-quality sustainable village community on the site of the recently closed Royal Ordnance Factory in Bishopton (near Glasgow).

We are the Principal Developer for the transformation of this site into Dargavel Village - a vibrant community supported by new and enhanced infrastructure; improved travel links; retail, leisure and community facilities, and surrounded by a public accessible woodland area. Due for completion in 2034, Dargavel Village will feature 4,000 new homes, with greatly improved infrastructure.

The work being done here brings the land back into beneficial use for the next generation and regenerates the local community, whilst supporting the Scottish Government's challenging targets for housing delivery and Glasgow city's strategic plan. Not only will the development contribute to over 33% of the annual delivery of housing within Renfrewshire and 2% of the delivery for the whole of Scotland, but the construction between 2013 and 2018 sustained an estimated 2,700 jobs and from 2019 onwards is currently sustaining around 540.

⁴ Tempest: Innovation for UK security and prosperity, pp. 11.

⁵ Tempest: Innovation for UK security and prosperity, pp. 12-13.

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