28-29 Threadneedle Street, London EC2R 8AY
Telephone: + 44 (0) 20 7628 2555
Email: info@maritimeindustries.org
Website: maritimeindustries.org

Society of Maritime Industries · UK

Submission to the Scottish Affairs Select Committee

Call for Evidence: Industrial Transition in Scotland

About SMI

The Society of Maritime Industries (SMI) is the trade association representing the UK's maritime engineering, science and technology industry. Our members include shipbuilders, marine equipment manufacturers, maritime technology developers, universities and research organisations with a significant footprint across Scotland's coastal regions. The maritime sector supports over 1.1 million UK jobs, many in communities experiencing industrial transition. SMI welcomes the opportunity to contribute to this important inquiry.

Q1: Which industries in Scotland have previously experienced industrial transition, and to what extent were these transitions effectively managed? In what ways did these historic transitions in Scotland differ in their causes, impacts and results? Relevant examples could include (but may not be limited to) coal, steel, heavy engineering, textiles, and shipbuilding.

Scotland has undergone several major industrial transitions over the past century, notably in shipbuilding.

Once a global leader centred around the Clyde, the sector declined rapidly from the 1960s onwards due to global overcapacity, cost competition from East Asia, lack of state support, and underinvestment in innovation and productivity. Transition was not effectively managed, leading to a collapse in employment, decimation of skills, and widespread economic deprivation in riverside communities. Despite some revitalisation through defence contracts, the sector never regained its former scale or diversification.

Distinctive Characteristics of Scottish Transitions

- **Concentration and Dependence:** Many Scottish communities were dependent on a single dominant employer or sector, making the impact of industrial closures disproportionately severe.
- **Geographic Peripherality:** Distance from policy centres and major consumer markets made adaptation and reinvestment more challenging.
- **Limited Diversification Support:** Unlike some areas in England, fewer Scottish regions benefitted from sustained government-led industrial diversification strategies or inward investment drives.

Effectiveness of Transition Management

- Overall, transitions in Scotland were poorly managed relative to international comparators. Efforts often lacked regional coherence, long-term vision, or integration with infrastructure, education, and employment policy.

- Recent policy initiatives (e.g. the National Shipbuilding Strategy and green port) offered better models for transition, but lessons from history emphasise the need for joined-up, place-based industrial strategies and proactive support for workforce and supply chain resilience.

Q2: Which industries in Scotland today are likely to experience industrial transition or decline in the near future? The Committee is interested to hear from a wide range of industries including, but not limited to, oil and gas and manufacturing, as well as growth-sectors in Scotland such as space and data technology.

Scotland faces a series of ongoing and impending industrial transitions with wide-ranging economic and social implications. These include both legacy sectors in decline and emerging sectors undergoing significant transformation:

Oil & Gas: The North Sea oil and gas industry is entering a structural decline due to decarbonisation imperatives, maturing fields, and investor shifts away from fossil fuels. This transition will have a profound impact on Aberdeen and surrounding areas, affecting supply chains, services, and skilled employment. While the energy sector is pivoting towards renewables, a managed transition plan is essential to retain industrial capacity and employment.

Maritime Manufacturing: Traditional shipbuilding and marine engineering, particularly on the Clyde and at Rosyth, remain vulnerable to international competition and cyclical demand unless underpinned by strategic sovereign procurement. Without sustained investment in shipyard modernisation and green vessel innovation, the sector risks further erosion.

Fisheries and Aquaculture: Regulatory pressures, environmental constraints, and international competition may significantly reshape Scotland's seafood and aquaculture sectors. Smaller operators are particularly exposed, and the sector requires support to transition to sustainable, high-value production models.

Maritime Services and Ports: Port infrastructure must adapt rapidly to accommodate offshore wind deployment, green fuel bunkering, and autonomous systems. Ports that do not invest in modernisation or digitalisation may fall behind, while others could emerge as strategic industrial hubs.

Space, Data and Ocean Technology: These emerging sectors offer high-growth potential but also face transitional challenges. For instance, Scotland's growing spaceport and data centre activity must address workforce needs, environmental impacts, and infrastructure demands. Similarly, the ocean enterprise—combining marine science, seabed mapping, and environmental monitoring—is poised for rapid change, demanding new skills, partnerships, and public-private coordination.

Defence and Security Manufacturing: Scotland's defence supply chains, particularly in naval platforms, face transition pressures from evolving threat environments, digitisation, and shifts in procurement strategy. Continued alignment with UK defence priorities and export strategies is essential to sustain industrial activity.

In each case, the key risk lies not in transition itself, but in failing to equip Scottish communities and firms with the tools, skills and investment to navigate it successfully. A place-sensitive, sector-specific response is needed.

Q3: To what extent is the UK Government's forthcoming industrial strategy, Invest 2035, geared towards the challenges and opportunities facing Scotland today?

The Society of Maritime Industries recognises the ambition of Invest 2035 to drive growth, productivity and innovation across the UK. However, as currently drafted, the strategy does not fully reflect Scotland's unique industrial profile or the specific challenges facing its coastal and energy-transitioning communities. Key observations include:

Underrepresentation of Maritime: Despite Scotland's significant shipbuilding, port, and marine technology capabilities, the maritime sector is underrepresented in Invest 2035's eight growth-driving sectors. This risks overlooking critical opportunities for coastal regeneration, sovereign manufacturing, and decarbonisation leadership.

Insufficient Place-Based Emphasis: While Invest 2035 references the need for a "place-based" approach, there is limited detail on how regional needs—particularly in industrial towns and coastal communities—will be identified, funded, and supported. Scotland's industrial challenges are closely tied to geography, legacy infrastructure, and sector concentration, which require tailored policy tools.

Energy Transition Gaps: The strategy references the shift to Net Zero but lacks specific mechanisms for supporting regions heavily exposed to oil and gas decline, such as north-east Scotland. A clearer alignment with Scotland's Just Transition Plan and the skills transfer needed across offshore energy sectors is required.

Innovation and Skills Disconnect: The strategy does not yet set out how Scotland's academic strengths (e.g. in marine autonomy, ocean science, and advanced manufacturing) will be harnessed through place-based innovation zones or partnerships with anchor institutions such as the University of Strathclyde, Heriot-Watt, and the Oil & Gas Technology Centre.

Export and Sovereignty Opportunities: Scotland is well placed to contribute to the UK's global competitiveness in maritime defence, offshore renewables, and digital ocean infrastructure. Invest 2035 should embed export-oriented growth strategies for these subsectors and provide a framework for long-term sovereign procurement that supports Scotland's shipyards and marine engineering firms.

In summary, Invest 2035 requires greater regional tailoring, stronger maritime inclusion, and deeper integration with Scotland's economic strategies to realise its full potential north of the border.