

**Keep Our Future Afloat: The importance of the future aircraft carrier for
the future stability of the UK's naval shipbuilding industrial base**
12 March 2007

1. **The trade union led The Keep our Future Afloat campaign' aims to sustain and grow jobs in naval shipbuilding (one of the most complex engineering tasks undertaken in the UK) by making the case for new surface ships and submarine orders,** which secure full utilisation of the naval shipbuilding assets in NW England.
2. In Barrow in Furness shipbuilding delivers £77m wages into the local economy, supports 3,600 jobs - 40% of all manufacturing jobs in Barrow TTWA. BAE supports a £46m supply chain in NW England where Naval Shipbuilding is part of the Key Regional Priority Sector "*Advanced Engineering and Materials*". The recent NWDA / dti / Barrow and Furness Peninsula Task Force support to the industry and its supply chain to improve affordability, enhance competitiveness and productivity is warmly welcomed.
3. **The 2005 Defence Industrial Strategy (DIS) recognises the strategic importance of shipbuilding which employs 16,000 in the UK;** the key role of the Navy in protecting the sea lanes which carry 90% of the UK's trade, and the need for UK shipbuilding to improve its productivity, offer value for money whilst ensuring the required skills are available and, creating an environment for industry to invest in upgrading facilities to meet future MoD requirements for larger ships. DIS emphasises the need for the industry to agree to rationalise, to allow it to become more secure, profitable and able to deliver an affordable forward naval shipbuilding programme.
4. **Barrow Shipyard's 'Team Navy' approach has fully embraced DIS's fundamental issues of affordability and productivity.** Overhead costs have reduced by 31% since 2004⁽¹⁾; by introducing lead design and manufacturing processes and implementing key supplier programmes. Lord Drayson recently said of Barrow, *'I have been very impressed in the way in which performance has improved at Barrow. The job that is being done in Barrow, working on the practices there, that is good'*. **The trade unions fully embrace embedding performance improvements in the UK's naval shipbuilding industrial base.**
5. KOFAC recognises decisions on future defence capability and effect is the province of the MoD. DIS proposes that the *Maritime Industrial Strategy* will set out a core workload that can provide industry with a basis on which to invest in the future, sustain naval skills and capability. What we now need is the order flow to sustain the skills and capacity to deliver complex large warships and stimulate investment in modernisation and training. There is an urgency, as Murray Easton said, on 7 November 2006 at the Defence Select Committee:- *"We have designers that will increasingly throughout 2007 become available..... If we are to retain them there must be work"*⁽²⁾.

(1) The current ZBB (Zero Based Budget) initiated in 2003, with a 20% target: achieved 31% ready for the 2006 budget. 22% productivity improvements were also made. In 2006, a further 10% challenge was made to overheads and direct costs and a further 10.8% overall reduction was achieved.

(2) Source Q.14 House of Commons Defence Select Committee, 7 November 2006.

6. The Future Aircraft Carriers are ‘at the heart of the Government’s plans for the future’⁽³⁾ (of the Royal Navy) and are crucial to the future of the naval shipbuilding industry in the UK. “The improvements needed to deliver the carriers will have a major influence on the UK warship building industry for years to come”⁽⁴⁾, They will, support 10,000 jobs⁽⁵⁾ throughout the UK in shipyards, suppliers and firms new to the industry supplying commercially off the shelf equipment, from every region of the UK. The momentum of the carrier programme needs to be maintained to drive restructuring across the maritime industry to meet the carrier construction peak and the post carrier demand for new warships.

7. **Therefore the naval shipbuilding programme set out in the DIS (2005) needs to be fully funded in the forthcoming 2007 Comprehensive Spending Review.** We echo the views of Defence Select Committee⁽⁶⁾ which said: “Adequate funding will be vital for the success of the DIS. This will be a key issue for the MoD to negotiate with HM Treasury in the comprehensive spending review”.

Full funding of the Future aircraft carrier programme is required. A decision to reduce the budget for the two future aircraft carriers, defer or abandon the programme would mean that UK Government would lose the only real means of influencing industry consolidation.

8. **The consequences of no carrier project or further delays to it are:-**

- **an unravelling of the maritime element of the defence industrial strategy**
- **a risk to critically important design skills at Barrow in 2007- 8 and thousands more in UK.**

9. **We urge dti to press the MoD and HM Treasury for early confirmation of the carrier orders as the key to driving up productivity, creating a world class naval shipbuilding industrial base in the UK, stimulating consolidation, sustaining the supply chain, generation of export orders and above all delivery of affordable warships and submarines.**

10. Delivering the Future aircraft carrier programme transforms and strengthen the naval shipbuilding industrial base, protects homeland security and generates potential for export business. It also changes perceptions of shipbuilding to one of being a high tech engineering and systems integration business offering attractive careers to strongly motivated people that contributes to raising GVA in north west England.

(3) Hansard Col.682 Rt Hon Derek Twigg MP Parliamentary Under Secretary of State for Defence MoD

(4) Lord Drayson speech to The Future Carrier conclave 18 September 2006

(5) MoD website “Defence – What Next?” www.mod.uk/DefenceInternet/factsheets/projectfactsheets/whatnext.htm

(6) Defence Select Committee 8th Report on the DIS at para.121 - 11 July 2006