

## **The need for future aircraft carrier orders to sustain jobs**

### **1. Naval Forces Have a Crucial Role to Play in Protecting UK's Interests**

Britain's Royal Navy has a key role to play in peacetime and in times of crisis, in protecting the sea lanes that carry 90% of all the UK's trade, and in ensuring maritime security. The Royal Navy's role may involve evacuating thousands of UK nationals quickly and safely (as in Lebanon in 2006) or it may involve delivering decisive force from offshore as in Afghanistan. The planned Future Aircraft Carriers will give the UK enhanced capability to undertake all these tasks.

### **2. Naval Shipbuilding in the UK is at a minimum level with significant supply chain fragility.**

The UK Defence Maritime Industrial sector delivers naval ship and submarine construction and through life support. It has reduced to a minimum workforce of around 12,000 highly skilled people located in three shipyards at Portsmouth, Glasgow and Barrow. Portsmouth through VT delivers modules for destroyers, complete corvettes and smaller vessels; Glasgow delivers destroyers and frigates, whilst Barrow builds nuclear powered submarines and larger warships. Rosyth is earmarked to support final assembly of Future Aircraft Carriers. Portsmouth refits warships and Devonport refits submarines. Lack of orders is impacting on the already fragile supply chain.

The Defence Industrial Strategy of 2005 seeks further rationalisation of the industry, Ministry of Defence (MoD) want 'an affordable forward programme.' It adds "the maritime industrial sector faces considerable challenges, including industry's ability to control costs', MoD go on to say industry has to 'address the fundamental issues of affordability and productivity...' because 'industry restructuring is a priority...' the current situation is unsustainable, and places huge pressure on the future programme. .... The potential for integration of procurement and support must be realised if efficiencies are to be generated' and 'the prospect of better through life management of through life military capability.'

### **3. Pressure on the defence budget**

As the First Sea Lord Sir Jonathan Band said on 22<sup>nd</sup> November 2006 "Resources for defence are going to remain tight in the face of competing demands for public expenditure," which will be resolved in the 2007 Comprehensive Spending Review (CSR)

Defence spending has declined dramatically in real terms since the 1980s', it continues to fall as a share of national income. Existing overseas operations are having a significant impact on the defence budget. The Institute of Fiscal Studies suggest defence spending needs to increase if existing overseas operations are to continue without large cuts in other parts of the defence budget.

Education, health and overseas development spending are expected to gain from the 2007 CSR, defence could face cuts. Defence spending in our view needs to be maintained and sufficient allocations made in the budget to allow the full funding of the future aircraft carrier programme now expected to cost around £3.8billion to build.

### **4. Consolidation the benefits**

Ministers are telling industry that "The whole thinking behind the Defence Industrial Strategy is to be able to contract with people on a through life basis and design in maintainability". This would be instead of as Lord

Drayson (in December 2006) described "Having separate contracts with a company to design and build a ship, a company to maintain a ship and company to upgrade a ship".

The Defence Procurement Minister added 'the orders (for the aircraft carriers) are not going to come unless consolidation and change happens'

Industry is moving towards new relationships, with BAE and VT having announced proposals on 14 December 2006 for the combination of their complex warship (destroyer and future frigate) surface ship build and naval support businesses on the Clyde at Glasgow and on the south coast into a joint venture. BAESYSTEMS Barrow shipyard retains capability to build large warships as well as nuclear powered submarines.

The incentive for the UK's naval shipbuilding companies and elements of the supplier base to consolidate/rationalise is the reward of the placing of the £3.8 billion Future Aircraft Carriers order and potentially, if the cost base is reduced sufficiently, more work on other large warship programmes in the future as existing helicopter carriers, replenishment ships and landing platform ships are replaced. Jobs will be secured too.

#### 5. **Delays of abandonment of orders – the implications**

A decision to reduce the budget for, or to defer or abandon the Future Aircraft Carriers programme would mean UK Government loses its only significant way to influence industry consolidation. If orders do not materialise, VT and BAE may decide to exit shipbuilding in favour of more lucrative alternative defence business streams located probably abroad with the loss of thousands of direct jobs in Barrow, Glasgow and Southampton. We need to ensure the whole concept of a Maritime Industrial Strategy with a core workload of the carriers sustaining employment does not unravel and threaten the whole industry. This is why we need to lobby now.

#### 6. **The need to lobby DTI Now !**

All Trade Unions now need to lobby UK Government, particularly DTI to ensure 100% funding for the Future Aircraft Carrier project is an integral part of the 2007 Comprehensive Spending Review (CSR) settlement.

The DTI must be encouraged to champion the early placing of orders for the Future Aircraft Carrier programme because it is the key to delivering a world class naval shipbuilding industrial base in the UK. It will stimulate consolidation and productivity improvements by the industry, sustain the UK's world class naval shipbuilding business supply chain, and generate potential for future large warship work in home and export markets, .

The orders for the future aircraft carriers are needed by mid 2007 to sustain the workload and skills in the shipyards. With the certainty of this work shipbuilding in all 3 shipyards has a sustainable future.

Without the certainty of the orders, Britain will not have a naval shipbuilding future. Jobs will start to go later this year.

For more information see [www.navalshipbuilding.co.uk](http://www.navalshipbuilding.co.uk) or contact 01229 820611