

House of Commons  
Scottish Affairs Committee

**EMPLOYMENT IN  
SHIPBUILDING ON THE  
CLYDE**

Fifth Report of Session 2001–02

House of Commons  
Scottish Affairs Committee

**EMPLOYMENT IN  
SHIPBUILDING ON THE  
CLYDE**

Fifth Report of Session 2001–02

*Report, together with  
Proceedings of the Committee  
and Minutes of Evidence*

---

*Ordered by The House of Commons to be printed 3 July 2002*

---

HC 865  
Published on 15 July 2002 by authority of the House of Commons  
London : The Stationery Office Limited  
£14.50

## SCOTTISH AFFAIRS COMMITTEE

The Scottish Affairs Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Scotland Office (including (i) relations with the Scottish Parliament and (ii) administration and expenditure of the offices of the Advocate General for Scotland (but excluding individual cases and advice given within government by the Advocate General)).

### Current Membership

Mrs Irene Adams MP (*Labour, Paisley North*) (Chairman)  
 Mr Peter Atkinson MP (*Conservative, Hexham*)  
 Mr Alistair Carmichael MP (*Liberal Democrat, Orkney and Shetland*)  
 Mr Peter Duncan MP (*Conservative, Galloway and Upper Nithsdale*)  
 Mr Eric Joyce MP (*Labour, Falkirk West*)  
 Mr Mark Lazarowicz MP (*Labour/Co-op, Edinburgh North and Leith*)  
 Mr John Lyons MP (*Labour, Strathkelvin and Bearsden*)  
 Ann McKeichin MP (*Labour, Glasgow Maryhill*)  
 Mr John Robertson MP (*Labour, Glasgow Anniesland*)  
 Mr Mohammed Sarwar MP (*Labour, Glasgow Govan*)  
 Mr Michael Weir MP (*SNP, Angus*)

### Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Order, principally in SO No.152. These are available on the Internet via [www.parliament.uk](http://www.parliament.uk).

### Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at [www.parliament.uk/commons/selcom/scothome.htm](http://www.parliament.uk/commons/selcom/scothome.htm). A list of Reports of the Committee in the present Parliament is at the back of this volume.

### Contacts

All correspondence should be addressed to The Clerk of the Scottish Affairs Committee, Committee Office, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general inquiries is: 020 7219 6123; the Committee's e-mail address is: [scotaffcom@parliament.uk](mailto:scotaffcom@parliament.uk).

### Footnotes

In the footnotes of this Report, references to oral evidence are indicated by 'Q' followed by the question number. References to written evidence are indicated by the page number as in 'Ev 12'.

## TABLE OF CONTENTS

	<i>Page</i>
LIST OF WITNESSES .....	4
LIST OF MEMORANDA INCLUDED IN THE MINUTES OF EVIDENCE .....	5
REPORT	
Preamble .....	7
Summary .....	7
Introduction .....	9
Government policy .....	9
BAE SYSTEMS redundancies .....	11
Clyde Shipyards Task Force .....	11
BAE SYSTEMS Ten Year Strategy .....	13
Investment .....	14
Competitiveness and exports .....	15
Commercial shipbuilding .....	17
Skills and training .....	18
Collaborative working .....	18
Shipbuilding and Marine Industries Forum .....	19
Subsidies .....	20
Conclusion .....	21
Annex .....	22
PROCEEDINGS OF THE COMMITTEE RELATING TO THE REPORT .....	27
MINUTES OF EVIDENCE .....	Ev 1

## LIST OF WITNESSES

*Page*

*Monday 20 May 2002*

SCOTTISH ENTERPRISE

Dr Robert Crawford and Mr Ron Culley . . . . . Ev 10

GLASGOW CITY COUNCIL

Mr Steve Inch . . . . . Ev 10

AEEU

Mr Danny Carrigan . . . . . Ev 21

GMB

Mr Jim Moohan, Mr John Dolan and Mr James Webster . . . . . Ev 21

MSF

Mr Hugh Scullion and Mr David Torrence . . . . . Ev 21

*Wednesday 19 June 2002*

BAE SYSTEMS

Mr Brian Phillipson and Mr Simon Kirby . . . . . Ev 37

MINISTRY OF DEFENCE

Lord Bach, Minister for Defence Procurement and Mr Andy McClelland . . . . . Ev 56

DEPARTMENT OF TRADE AND INDUSTRY

Mr Brian Wilson MP, Minister of State for Energy and Construction  
and Mr Norman Brice . . . . . Ev 56

SCOTLAND OFFICE

Mrs Anne McGuire MP, Parliamentary Under-Secretary of State and  
Mr Ian Hooper . . . . . Ev 56

**LIST OF MEMORANDA INCLUDED  
IN THE MINUTES OF EVIDENCE**

	<i>Page</i>
1. Memorandum submitted by Scottish Enterprise (SHP 3) .....	Ev 1
2. Memorandum submitted by Glasgow City Council (SHP 1) .....	Ev 4
3. Memorandum submitted by Amalgamated Engineering and Electrical Union (AEEU) (SHP 4) .....	Ev 18
4. Letter to the Committee from GMB (SHP 5) .....	Ev 20
5. Memorandum submitted by Amicus MSF Section (SHP 2) .....	Ev 21
6. Memorandum submitted by BAE SYSTEMS (SHP 6) .....	Ev 33
7. Supplementary memorandum submitted by BAE SYSTEMS (SHP 6A) .....	Ev 48
8. Further supplementary memorandum submitted by BAE SYSTEMS (SHP 6B) .....	Ev 48
9. Memorandum submitted by Ministry of Defence (SHP 8) .....	Ev 49
10. Letter to the Committee from the Department of Trade and Industry (SHP 7) .....	Ev 51
11. Memorandum submitted by the Scotland Office (SHP 9) .....	Ev 55
12. Letter to the Chairman, Scottish Affairs Committee, from Lord Bach, Minister for Defence Procurement, Ministry of Defence (SHP 8A) .....	Ev 67
13. Supplementary memorandum submitted by the Ministry of Defence (SHP 8B) .....	Ev 67
14. Supplementary memorandum submitted by the Scotland Office (SHP 9A) .....	Ev 67



# FIFTH REPORT

**The Scottish Affairs Committee has agreed to the following Report:**

## **EMPLOYMENT IN SHIPBUILDING ON THE CLYDE**

### **Preamble**

1. In January 2002 the Clyde Shipyards Task Force, which was established in July 2001 by the then Minister for Enterprise, Transport and Lifelong Learning of the Scottish Executive in response to proposed redundancies at the Govan and Scotstoun shipyards, issued its report and recommendations.

2. Without in any way replicating the work of the Task Force or attempting to undermine its monitoring role, we felt it incumbent on us to look at developments which the report had triggered, to review current Government policy on military shipbuilding and to examine what the future for employment in shipbuilding on the Clyde might be. We concentrated our attention upon matters about which the Task Force had commented, namely, the situation on the upper Clyde. We commend the work of the Task Force and endorse its conclusions.

3. In passing we would wish to compliment the achievements on the lower Clyde at Fergusons of Port Glasgow and Semple-Cochrane in Greenock, where the focus is on commercial contracts, including ship repair. The dry-dock facility at Inch Green which BAE SYSTEMS hope might play a part in the construction of the proposed two new aircraft carriers, is also on the lower Clyde.

4. Two oral evidence sessions were arranged. During the first of these, which was held at Anniesland College, Glasgow, the following witnesses appeared before us: Scottish Enterprise, Glasgow City Council, the Amalgamated Engineering and Electrical Union (AEEU), the GMB Union and the Manufacturing Science and Finance Union (MSF). The second meeting, held at the House of Commons, involved BAE SYSTEMS, Lord Bach, Minister for Defence Procurement, Ministry of Defence, Mr Brian Wilson MP, Minister of State for Energy and Construction, Department of Trade and Industry and Mrs Anne McGuire, Parliamentary Under-Secretary of State, Scotland Office. Full details of individual witnesses and the written evidence submitted to us are given on pages 4–5 of this report.<sup>1</sup> We thank all those who helped us with our inquiry.

### **Summary**

5. (a) We welcome the clarification of defence shipbuilding policy which the letter from Lord Bach to the Chairman of the Committee introduces. This was reaffirmed by the Minister during oral evidence. It is clear that until we started our inquiry some fabrication of warships, although limited in scope, had been diverted overseas. The Government has acted with alacrity to close, or at least diminish, the relevant loophole, which should not have been open in the first place. For reasons of security and protection of the capability, the fabrication and assembly of military vessels commissioned by the Ministry of Defence must remain within the UK. The letter from Lord Bach explained that instances such as the one drawn to our attention, were caused by the receipt of more cost effective bids, or a shortage of relevant skills or equipment. There must be no exceptions to the stated Government policy on warship construction. All appropriate efforts should be

---

<sup>1</sup> A Scottish Executive Cabinet meeting which coincided with our second oral evidence session prevented a willing Minister from the Scottish Executive from joining the UK ministerial team.

made to ensure that the skill and equipment base sufficient to allow this policy to be fulfilled is available. [*Paragraph 12*]

- (b) We consider that, given the Government's policy on home grown warships and accepting the somewhat limited scope for competition that this policy allows, it is the duty of the Ministry of Defence to provide the earliest notice possible of its commissioning decisions. [*Paragraph 13*]
- (c) In the light of subsequent developments concerning MoD commissioning plans, most of which might have been anticipated, at least to some extent, we deprecate the way BAE SYSTEMS went about reducing the number of workers at its yards on Clydeside. The company's heavy-handed exaggeration of the numbers who would be required to go must have created a climate of uncertainty and low morale, which has only improved following the more optimistic forecasts of recent months. We recognise that BAE SYSTEMS operates in a hard business world and in a politically sensitive industry, but we recommend that in future the company adopts a more sensitive and straightforward approach to its workforce. [*Paragraph 16*]
- (d) We feel that the overall concept of the BAE Ten Year Strategy lacks an appropriate level of flexibility common in other business plans. We hope that BAE SYSTEMS will review its approach on a regular basis. At the very least the Strategy should constantly focus on prospects over a 10-year period and not be subject to a diminishing timescale. [*Paragraph 24*]
- (e) We believe it is essential that, in order to maintain the quality, sophistication and expertise of warship design, which is a feature of the UK shipbuilding industry, the current Government policy on the commissioning of defence vessels should be extended to include the design role. [*Paragraph 27*]
- (f) BAE SYSTEMS bemoaned the lack of investment in research and development from which the industry suffered. Sufficient funds were apparently unavailable to support an appropriate level of research. This must change if the industry is to thrive beyond the next ten years. Ministers made it very clear that although some grants were available, there was no extra money in the Government's pot further to subsidise research and development in shipbuilding. We therefore urge the industry to consider very carefully the implications for future success, profits and jobs of allowing the research and development expertise which is available within the UK shipbuilding industry to stagnate or go to waste through lack of adequate investment. [*Paragraph 30*]
- (g) Shipbuilding was, in living memory, the heavy manufacturing heart of Western Scotland. Despite having undergone radical surgery, the organ continues to function, but cannot be left without proper care. The Task Force designated a clear role for the Scotland Office in promoting export orders. The job requires regular liaison with the owners of the Govan and Scotstoun yards. Failure over a period of months to observe this obligation would amount to a serious neglect of duty. [*Paragraph 36*]
- (h) It is very much in the interests of the UK shipbuilding industry to strive to develop a system of mutual support and co-operation which would enable the dissemination of best practice and stimulate growth. The introduction of an individual overseer or "Czar" would be no panacea to the problems faced by the industry today. We do not consider that in the context of the shipbuilding environment one person could be expected to be able constructively to manage the dynamics surrounding competition, commercial sensitivity and Government

procurement activity to the satisfaction of all those involved. The Shipbuilding and Marine Industries Forum allows the separate parts of the industry their own voice. It could well be that to display itself with maximum efficiency and force, the Forum needs to undergo further re-organisation. But it is the appropriate body to deal with the issues which otherwise might be directed towards a co-ordinator. [Paragraph 47]

## Introduction

6. The shipbuilding industry is competitive, specialised, sophisticated and, worldwide, suffers from excess capacity. The memorandum from the DTI said:

“It is certainly true that the merchant shipbuilding market is difficult, with low prices and excessive capacity across the whole of Europe and the world generally”.<sup>2</sup>

7. Along with the yard at Barrow, the Clydeside yards at Govan and Scotstoun form BAE SYSTEMS shipbuilding enterprise. The yards are reliant on Ministry of Defence orders. The current Clyde workforce is around 2000, down from a figure of 100,000 achieved during the high point of shipbuilding in the UK. Shipbuilding is still an important component of the Glasgow economy, where it remains responsible for 8 per cent of manufacturing employment. The industry offers high quality, skilled manual employment.<sup>3</sup> The memorandum from Glasgow City Council spoke of the ‘feast and famine’ conditions which have tended to prevail in Clyde shipyards. Currently there is sufficient work designated for Govan and Scotstoun to last for ten years or more. After that the crystal ball becomes hazy. Lord Bach told us:

“...no shipyard can depend on MoD work alone and we expect the company which runs these [Clyde] yards to be rigorous in its search for other customers”.<sup>4</sup>

## Government policy

8. Competition is at the core of UK defence vessel procurement strategy.<sup>5</sup> Defence orders are subject to strict value for money criteria, but Government policy is that “All fighting vessels are built in the UK...”<sup>6</sup> This approach is designed to protect strategic shipbuilding capability and to benefit the domestic industry. But the MSF Convenor at Govan Shipyard told us that:

“Swan Hunters opened two logistics ships, and if you cannot build the bow sections on time they put them out to tender, Govan tendered to build them, we can build them in time, but we lost that bid and the two bow units are going to Holland.”<sup>7</sup>

The MSF full-time official believed that “in excess of 40 per cent” of the Alternative Landing Ships Logistic (ALSL) contract had gone abroad.<sup>8</sup>

---

<sup>2</sup> Ev 52.

<sup>3</sup> Ev 5.

<sup>4</sup> Q175.

<sup>5</sup> Ev 50, para 7.

<sup>6</sup> Ev 55.

<sup>7</sup> Q53.

<sup>8</sup> Q58.

9. In a letter to the Chairman responding to these points, Lord Bach, the Defence Procurement Minister, stated:

“...it remains the policy of this Government that all warship construction will continue to be carried out in this country. In the case of the bow sections for the ALSL vessel, after conducting a competition which included three UK companies, Swan Hunter chose the Dutch Company Centralstaal as the most cost effective bid. The work to be undertaken by Centralstaal covers the basic steel fabrication of small units with the final assembly, systems outfitting and fabrication into a complete bow section being undertaken at Swan Hunter’s shipyard. This is not an uncommon practice where shipbuilders themselves do not have the necessary in-house skills or equipment to carry out such complex work.”<sup>9</sup>

10. Lord Bach admitted that whilst there was no intention to contravene the Government’s military shipbuilding policy, in this case the overseas fabrication of the hulls did raise questions about compliance.<sup>10</sup> Following an agreement with Swan Hunter (Tyneside), a clause had now been placed in the ALSL contract which requires MoD sanction before fabrication or assembly can be sub-contracted overseas. Permission to transfer work outside of the UK would only be given in exceptional circumstances.<sup>11</sup> The Minister told us that the quest for value for money coupled with the faith in competition, which drives down costs, led to some flexibility being necessary in terms of the provision and fitting of individual parts for inclusion in UK defence vessels.<sup>12</sup>

11. The letter from Lord Bach also said that it was incorrect to suggest that more than 40 per cent by value of the ALSL contract had been diverted overseas. “Information supplied by Swan Hunter indicates that only 17 per cent of the value of equipment procurement and materials for our ALSLs has been placed abroad.”<sup>13</sup> Swan Hunter has emphasised that the majority of sub-contract work will be placed in the UK.<sup>14</sup>

**12. We welcome the clarification of defence shipbuilding policy which the letter from Lord Bach to the Chairman of the Committee introduces. This was reaffirmed by the Minister during oral evidence.<sup>15</sup> It is clear that until we started our inquiry some fabrication of warships, although limited in scope, had been diverted overseas. The Government has acted with alacrity to close, or at least diminish, the relevant loophole, which should not have been open in the first place. For reasons of security and protection of the capability, the fabrication and assembly of military vessels commissioned by the Ministry of Defence must remain within the UK. The letter from Lord Bach explained that instances such as the one drawn to our attention, were caused by the receipt of more cost effective bids, or a shortage of relevant skills or equipment. There must be no exceptions to the stated Government policy on warship construction. All appropriate efforts should be made to ensure that the skill and equipment base sufficient to allow this policy to be fulfilled is available.**

13. The Defence Committee takes a close interest in and keeps a watchful and vigilant eye on procurement policy. When asked about ways in which Government defence procurement policy might be further clarified, BAE SYSTEMS called for a greater sense of what the Ministry of Defence intends.<sup>16</sup> In order to plan an appropriate investment

---

<sup>9</sup> Ev 67. The sub-contracted work referred to in fact went to the Dutch company Niestein and Sander. See footnote 1 to Q128.

<sup>10</sup> *Ibid.*

<sup>11</sup> *Ibid.*

<sup>12</sup> Q134.

<sup>13</sup> Ev 67.

<sup>14</sup> *Ibid.*

<sup>15</sup> Q128.

<sup>16</sup> Q88.

programme, there was a need for greater reassurance and more specific timescales. There had been a history of short-term decision making, which should now be replaced by improved stability.<sup>17</sup> So called ‘Smart’ acquisition had eased the situation. **We consider that, given the Government’s policy on home grown warships and accepting the somewhat limited scope for competition that this policy allows, it is the duty of the Ministry of Defence to provide the earliest notice possible of its commissioning decisions.**

### **BAE SYSTEMS redundancies**

14. During the summer of 2001, 1000 redundancies in the Clyde shipyards were announced. BAE SYSTEMS said that this was “part of an overall restructuring and due to a shortfall of work in the near term”.<sup>18</sup> The memorandum from the Scotland Office stated that the redundancies were necessary to address the gap in BAE SYSTEMS order book and their internal overcapacity.<sup>19</sup> DTI noted that the redundancies announced in July 2001 were a result of “short-term gaps” in work before work on MoD orders for Alternative Landing Ships Logistic commenced.<sup>20</sup>

15. We detected a sense that BAE SYSTEMS management had become remote from its workforce. It seemed to us that in the recent past communication with employees on Clydeside had not been a company strength and industrial relations had reached a low ebb. We believe this flaw is now being addressed. There continues to be much strength of feeling amongst workers in the Govan and Scotstoun yards directed at ensuring that BAE SYSTEMS explores every means of, and puts as much effort as possible into, ensuring the long-term success and prosperity of the business.

**16. In the light of subsequent developments concerning MoD commissioning plans, most of which might have been anticipated, at least to some extent, we deprecate the way BAE SYSTEMS went about reducing the number of workers at its yards on Clydeside. The company’s heavy-handed exaggeration of the numbers who would be required to go must have created a climate of uncertainty and low morale, which has only improved following the more optimistic forecasts of recent months. We recognise that BAE SYSTEMS operates in a hard business world and in a politically sensitive industry, but we recommend that in future the company adopts a more sensitive and straightforward approach to its workforce.**

### **Clyde Shipyards Task Force**

17. As a result of the redundancies, the Clyde Shipyards Task Force was established to consider, amongst other objectives, the viability of the Clyde operation, its place within the UK shipbuilding industry, and the appropriateness of the skill-base there.<sup>21</sup> The Task Force was Chaired by Wendy Alexander MSP, then Minister for Enterprise, Transport and Lifelong Learning at the Scottish Parliament. Since the advent of the Task Force the number of proposed redundancies have been reduced to 475 (plus a possible further 55 voluntary redundancies), following an MoD order for two Alternative Landing Ships Logistic. The memorandum from BAE SYSTEMS said:

---

<sup>17</sup> Q90.

<sup>18</sup> Ev 33, para 1.1. See also Q83.

<sup>19</sup> Ev 55.

<sup>20</sup> Ev 52.

<sup>21</sup> *Clyde Shipyards Task Force Report*, p17.

“Against the original total of 1,000 by April 2002 the number of compulsory redundancies has been limited to 156 with a further 319 employees leaving through voluntary redundancy or through other means. A further 55 applications for voluntary redundancy are currently being considered. All efforts are being made to mitigate the outstanding balance of around 400 positions which are being constantly reviewed.”<sup>22</sup>

BAE SYSTEMS told us that it was now nearing the end of its programme of redundancies and the period of uncertainty for its employees on the Clyde.<sup>23</sup> It was stressed that the long-term outlook depended on achieving export orders. In the meantime, the Government’s order for two aircraft carriers was a vital component of stability within the BAE Strategy.

18. The Task Force reported in January 2002. It contained 29 recommendations. The Ministerial Foreword recognised that much needed to be done to ensure the future of the industry, but thought the Clyde shipyards were well placed to win orders.<sup>24</sup> On 4 June 2002, the Task Force issued an update on progress on its recommendations. This table is printed as an Annex to our Report.

19. Scottish Enterprise, Glasgow City Council and trades unions, all of whom (except the MSF union) were directly represented on the Task Force, had, as might be expected, very similar views. Areas of concern related to the Government’s approach to defence vessel procurement (see for example, recommendations one, seven and eight from the Task Force on the Government’s shipbuilding strategy and procurement arrangements), the long-winded and expensive nature of contract chasing,<sup>25</sup> hidden subsidies which may or may not be paid by the governments of foreign competitors, the need to introduce diversification and make a concerted effort to win orders for commercial vessels as well as military contracts, and ensuring that a properly trained flexible workforce is in place. The BAE SYSTEMS memorandum and the written evidence from Government departments were buoyant and upbeat.

20. During a debate in Westminster Hall on 19 December 2001 the Minister for Employment and the Regions at the Department of Trade and Industry, referring to Govan in particular, said “it is clear that it [Govan] has the best prospects for many years, and we believe that it is secure for at least the next 10 years”.<sup>26</sup> This general thrust was reflected in the written evidence from DTI, which, referring to the potential for work that could be realised by the construction of the proposed two new aircraft carriers, said:

“Although a decision on precisely how and where these vessels will be built is some months away—and will be taken by whichever of BAES and Thales wins the Prime Contract Office competition—the programme is so large as to offer tremendous opportunities for UK shipyards.”<sup>27</sup>

Glasgow City Council believed that the Government’s policy of building high capability vessels, which was in line with the approach adopted in other countries, would ensure work for UK yards if it was sustained.<sup>28</sup>

---

<sup>22</sup> Ev 36, para 6.1.

<sup>23</sup> Q126.

<sup>24</sup> *Clyde Shipyards Task Force Report*, p3.

<sup>25</sup> The shortcomings of which were recognised by MoD. See Ev 50, para 8. See also Q58.

<sup>26</sup> *Official Report*, Wednesday 19 December 2001, col 91WH.

<sup>27</sup> Ev 52.

<sup>28</sup> Ev 6.

## BAE SYSTEMS Ten Year Strategy

21. The BAE SYSTEMS Ten Year Strategy is designed to increase competitiveness in a changing and declining market. The company aims to concentrate on warship contracts, but will tender for compatible and viable commercial contracts. It has undertaken a programme of redundancies in the workforce as well as some reconfiguration in the shipyards, which involves some investment. Under the Strategy, the yards at Govan, Scotstoun and Barrow have been designated as separate centres of excellence in the manufacture of military vessels. The focus for Govan is steelwork; that for Scotstoun is exporting, outfitting, designing and launching the first Type 45 destroyer; Barrow concentrates on assembly.

22. Whilst the Clyde Shipyards Taskforce did not see that it was immediately obvious that the three yards Strategy would be profitable and competitive for BAE SYSTEMS,<sup>29</sup> it acknowledged that the Strategy might work and that the arrangement was used in foreign yards. We heard some scepticism expressed about the arrangement.<sup>30</sup> Scottish Enterprise believed that this would remain until evidence of investment was seen.<sup>31</sup> BAE SYSTEMS acknowledged this feeling.<sup>32</sup> But it indicated that reassurance might have been provided by the company having made some members of the Task Force party to matters of commercial confidentiality and detail. The Minister of State for Energy and Construction reminded us of the globalisation of maritime industries, whereby it was common for the different parts of the shipbuilding jigsaw to be pieced together in a succession of yards.<sup>33</sup> The Task Force concluded that, within the context of its dependence on defence work, the BAE Strategy was coherent and robust,<sup>34</sup> but said that the company must strive to win further export orders as well as look to winning a significant design and build role for the proposed new aircraft carriers. The success of the Strategy was very much predicated on export orders being achieved.<sup>35</sup> The company itself agreed with this analysis, frankly admitting that, even though the Strategy was now on track, its ultimate success depended on future developments.<sup>36</sup>

23. The Minister of State for Energy and Construction said:

“I am absolutely certain that the Strategy gives the best possible prospect of the long-term security of the two yards on the Clyde and, with reasonable success in the export field to complement domestic demand, the three yards will be secure for the foreseeable future.”<sup>37</sup>

**24. Whilst we accept the Task Force analysis, we feel that the overall concept of the Ten Year Strategy lacks an appropriate level of flexibility common in other business plans. We hope that BAE SYSTEMS will review its approach on a regular basis. At the very least the Strategy should constantly focus on prospects over a 10-year period and not be subject to a diminishing timescale.**

---

<sup>29</sup> *Clyde Shipyards Task Force Report*, p8.

<sup>30</sup> Q10 and Q51.

<sup>31</sup> Q10.

<sup>32</sup> Q85.

<sup>33</sup> Q142.

<sup>34</sup> *Ibid.*

<sup>35</sup> Q26. See also Q29.

<sup>36</sup> Q86.

<sup>37</sup> Q143.

25. The AEEU was worried about the possibility of a transfer of functions from the Clyde to Barrow.<sup>38</sup> But Glasgow City Council pointed out that the Clyde Shipyards Task Force had noted that “Type 45s could not be built at Barrow alone...[BAE] Marine requires the Clyde yards’ resources, expertise and capacity to compete for the carrier contract...The local infrastructure of suppliers and sub-contractors to the Clyde yards may not be transportable to Barrow”.<sup>39</sup> Scottish Enterprise also regarded the transfer of work to Barrow as unlikely.<sup>40</sup>

26. BAE SYSTEMS shipyards at Govan and Scotstoun have the following MoD work currently in progress or planned:

- Completion of Auxiliary Oiler.
- Completion of eight Landing Craft Utility.
- Build of two Alternative Landing Ships Logistic (ALSLs).
- Type 45 destroyer—modular construction work and steel production.
- Assembly of Type 45 First of Class.

The Type 45 Prime Contract Office design team is also based at Scotstoun.<sup>41</sup> The MoD memorandum said that the BAE estimate was that work on the Type 45 destroyers would secure 1250 jobs on the Clyde “well into this decade”.<sup>42</sup> “The two ALSLs should sustain up to 600 jobs at the Govan shipyard.”<sup>43</sup>

27. During oral evidence BAE SYSTEMS remarked that it was unclear if the Government policy of building defence vessels within the UK included design and build as well as assembly.<sup>44</sup> The company believed that more needed to be invested in design skills. This would allow better access to high value-added business and increase the prospects for exporting.<sup>45</sup> The same point had been made by the MSF full-time official.<sup>46</sup> **We believe it is essential that, in order to maintain the quality, sophistication and expertise of warship design, which is a feature of the UK shipbuilding industry, the current Government policy on the commissioning of defence vessels should be extended to include the design role.**

## Investment

28. Glasgow City Council thought that the future investment plans of BAE SYSTEMS signified that the Clyde shipyards were seen to be a vital part of the company’s future. £75 million was scheduled for investment in Govan and Scotstoun over the next 10 years.<sup>47</sup> During oral evidence, Scottish Enterprise made the point that the ultimate success of the BAE SYSTEMS Strategy would depend on the company making the promised investment in the yards.<sup>48</sup> Scottish Enterprise considered some of the proposed investment to be “indeterminate”.<sup>49</sup>

---

<sup>38</sup> Ev 19. See also Q52.

<sup>39</sup> Ev 8.

<sup>40</sup> Q8.

<sup>41</sup> Ev 49, para 2.

<sup>42</sup> *Ibid*, para 3.

<sup>43</sup> *Ibid*.

<sup>44</sup> Q87.

<sup>45</sup> Q91.

<sup>46</sup> Q58.

<sup>47</sup> Ev 9, para 11.

<sup>48</sup> Q3.

<sup>49</sup> Q4.

29. In response BAE SYSTEMS said that the yards on the upper Clyde had been starved of investment for many years. Subject to the success of its Strategy, which is based on winning further orders, BAE SYSTEMS was committed to making the level of investment that had been discussed with the Task Force.<sup>50</sup> But additional sums would need to be justified to shareholders. The company argued that there was nothing indeterminate about its approach, although some issues were subject to commercial sensitivity.<sup>51</sup> The Minister of State for Energy and Construction told us that he was:

“...convinced and the Task Force was convinced, that the money was going in from BAE SYSTEMS as promised...I have no reason to doubt the integrity of that commitment...because I think it is an essential part of their Strategy.”<sup>52</sup>

Trade union witnesses noted the direct correlation between high levels of investment and the success of German shipyards.<sup>53</sup> The Task Force would continue to monitor investment in the Clyde shipyards.<sup>54</sup>

30. BAE SYSTEMS bemoaned the lack of investment in research and development from which the industry suffered.<sup>55</sup> Sufficient funds were apparently unavailable to support an appropriate level of research. **This must change if the industry is to thrive beyond the next ten years. Ministers made it very clear that although some grants were available, there was no extra money in the Government’s pot further to subsidise research and development in shipbuilding.**<sup>56</sup> We therefore urge the industry to consider very carefully the implications for future success, profits and jobs of allowing the research and development expertise which is available within the UK shipbuilding industry to stagnate or go to waste through lack of adequate investment.

### Competitiveness and exports

31. The Minister of State for Energy and Construction was explicit about the lack of success of the UK shipbuilding industry in terms of its competitive prowess.<sup>57</sup> But he noted the advances that had been made.<sup>58</sup> In its written evidence the MoD acknowledged that:

“Although the current naval warship programme is the largest for many years...the MoD order book alone cannot be expected to sustain the UK shipbuilding industry.”<sup>59</sup>

MoD advised shipyards to become as “innovative, efficient and productive as possible”<sup>60</sup> in order to compete for MoD, commercial and export orders.<sup>61</sup>

---

<sup>50</sup> Qq92 and 93.

<sup>51</sup> Q93.

<sup>52</sup> Q145.

<sup>53</sup> Q16.

<sup>54</sup> Q32.

<sup>55</sup> Q105.

<sup>56</sup> Q154.

<sup>57</sup> Q148.

<sup>58</sup> *Ibid.*

<sup>59</sup> Ev 50, para 4. See also Q153.

<sup>60</sup> *Ibid.*

<sup>61</sup> *Ibid.*

32. The ultimate success of the current Strategy is entirely dependent on achieving an increase in exports. BAE SYSTEMS indicated that it was very busy on that front. "Active prospects currently being pursued include three near term opportunities encompassing a range of products from sophisticated frigates to complex Offshore Patrol Vessels, and variants of successful existing BAE SYSTEMS designs."<sup>62</sup>

33. In March 2001, DTI launched the Marine Export Partnership aimed at promoting British marine industries. The Task Force recommended that:

"In addition to current Government activity, every appropriate opportunity should be taken to include Scotland Office Ministers in promoting Clydeside's case in securing new export orders."<sup>63</sup>

34. When we asked BAE SYSTEMS what contact there had been with the Scotland Office since the publication of the Task Force report, the answer was none.<sup>64</sup> This recollection was later adjusted when the Managing Director Type 45 at BAE SYSTEMS wrote to the Chairman. He said:

"...it has come to my attention that there has indeed been ongoing dialogue between both organisations on the subject of shipbuilding on the Clyde".<sup>65</sup>

The confusion was partly explained by "role changes within the company in recent months".<sup>66</sup>

35. The Parliamentary Under-Secretary of State at the Scotland Office told us that she was advised that:

"BAE SYSTEMS fully briefs the Department on commercial opportunities".<sup>67</sup>

In a subsequent letter to the Chairman, she spoke of a meeting between her ministerial predecessor and BAE SYSTEMS which took place in September 2001.<sup>68</sup> The Parliamentary Under-Secretary explained that contacts between the company and departmental officials had led to the Secretary of State for Scotland agreeing:

"to launch the KDB Jerambak<sup>69</sup> on 22 June in order to assist in promoting the export capabilities of the Clyde yards".<sup>70</sup>

This hardly amounts to being overzealous, indeed, the September meeting occurred four months before the Task Force issued its report and recommendations.

**36. Shipbuilding was, in living memory, the heavy manufacturing heart of Western Scotland. Despite having undergone radical surgery, the organ continues to function, but it cannot be left without proper care. The Task Force designated a clear role for the Scotland Office in promoting export orders. The job requires regular liaison with the owners of the Govan and Scotstoun yards. Failure over a period of months to observe this obligation would amount to a serious neglect of duty.**

---

<sup>62</sup> Ev 35, para 4.5.

<sup>63</sup> Recommendation 5.

<sup>64</sup> Q120.

<sup>65</sup> Ev 48.

<sup>66</sup> *Ibid.*

<sup>67</sup> Q155.

<sup>68</sup> Ev 68.

<sup>69</sup> An offshore patrol vessel (OPV), built for Brunei.

<sup>70</sup> Ev 68.

37. In its written evidence the Scotland Office said that it had established a continuing liaison with the MoD. Links had been forged with the Defence Exports Services Organisation (DESO) and BAE SYSTEMS Export Shipbuilding in order to identify key export targets and opportunities and to track progress so that the ability of Scotland Office Ministers to promote Clydeside might be maximised. The Minister of State for Energy and Construction admitted that there was room to improve the performance of a co-ordinated approach from Government departments.<sup>71</sup> But he praised the role played by British Embassy staff in helping to promote UK shipbuilding expertise.<sup>72</sup> In oral evidence Scottish Enterprise argued that sustainability on the Clyde was dependant on at least one new export order a year. BAE SYSTEMS accepted this as a broad assessment.<sup>73</sup> Another obstacle in the way of UK export success was the search by some purchasing countries for the cheapest solution, rather than the best.<sup>74</sup>

38. The Minister for Defence Procurement suggested that there might be a case for modifying design specifications in the pursuit of export orders. It was possible that the UK approach could be regarded by some potential client countries as too sophisticated.<sup>75</sup> The Minister also recommended that a concerted effort to win orders for smaller ships might pay dividends.<sup>76</sup> Access to both of these options was restricted by the fact that, wherever possible, most countries preferred to design and build their own product.<sup>77</sup> The answer might lie in assisting emerging national aspirations in defence shipbuilding by developing markets for technology transfer, a route which BAE SYSTEMS was prepared to follow.<sup>78</sup>

### Commercial shipbuilding

39. At the end of a debate in the House on Defence Policy (Scotland), the Minister of State for Defence said:

“...the shipbuilding companies must also move into commercial shipbuilding initiatives”.<sup>79</sup>

Union officials argued that BAE SYSTEMS was not interested in commercial contracts and merely went through the motions by tendering unrealistic prices.<sup>80</sup> To some extent BAE SYSTEMS endorsed this view when it described commercial shipbuilding, from its perspective as essentially a producer of warships, as an opportunity to fill gaps in the core defence work.<sup>81</sup> In terms of the tendering process the company argued that it offered “very sharp” bids.<sup>82</sup> BAE SYSTEMS quoted the example of an anchor handler launched in 2002.

“It was a classic piece of commercial infill and it was a good programme.”<sup>83</sup>

---

<sup>71</sup> Q150.

<sup>72</sup> Q161.

<sup>73</sup> Q109.

<sup>74</sup> Q161.

<sup>75</sup> Q153.

<sup>76</sup> Q158.

<sup>77</sup> Q109.

<sup>78</sup> Q110.

<sup>79</sup> *Official Report*, Wednesday 1 May 2002, col 203WH.

<sup>80</sup> Q60 and Q63.

<sup>81</sup> Q94.

<sup>82</sup> *Ibid.*

<sup>83</sup> Q113.

The company summed up its position succinctly:

“We are basically a defence contractor building complex warships; there is a market for our export product; we need to win some of that export market; and that is what we have built our strategy around.”<sup>84</sup>

## Skills and training

40. Recommendation 17 of the Task Force Report said:

“The company should work in partnership with the trade unions to create a network of learning representatives who would be able to give information advice and guidance on learning and development opportunities”.

The Task Force also expressed some concern about skill shortages and pointed out that 20 per cent of the Clydeside workforce was over 56 years of age. It advocated ‘cross-skilling’ and the avoidance of undue temporary labour and low productivity.<sup>85</sup> The AEEU argued for the expansion of apprenticeships.<sup>86</sup> BAE SYSTEMS told us that it had undertaken a significant re-training programme, which would equip workers with additional skills.<sup>87</sup> It did not intend to repeat the mistake of the early 1990s by failing to recruit young people, including graduates. The company anticipated offering places to 35 new apprentices in 2002.<sup>88</sup> The Task Force is undertaking a skills audit,<sup>89</sup> and the Department of Trade and Industry was creating a database of available skills.<sup>90</sup>

## Collaborative working

41. The Task Force suggested that the potential for collaborative ways of working across the UK [shipbuilding] industry should be explored.<sup>91</sup>

42. In January 2002, BAE SYSTEMS re-organised its Marine operation placing it within the company’s Sea Sector. The Company explained:

“This structure offers a stronger foothold in the key sea systems markets than the previous organisation, and offers more synergies with the associated group companies than the previous Operations Group.”<sup>92</sup>

43. The Minister for Employment and the Regions described the ‘secret’ of success in some foreign shipyards, the Netherlands in particular, as being due to the noticeable co-operation between all the interested parties which was achieved there.<sup>93</sup> This point was underlined by Scottish Enterprise<sup>94</sup> and the Minister of State for Energy and Construction.<sup>95</sup> A benchmarking exercise conducted in 2001 to measure the effectiveness of UK yards against world competition found weaknesses in productivity and marketing.<sup>96</sup> This led to

<sup>84</sup> *Ibid.*

<sup>85</sup> *Clyde Shipyards Task Force Report*, p9.

<sup>86</sup> Ev 19.

<sup>87</sup> Q121.

<sup>88</sup> Q125.

<sup>89</sup> Q174.

<sup>90</sup> *Ibid.*

<sup>91</sup> *Clyde Shipyards Task Force Report*, Recommendation 3.

<sup>92</sup> Ev 35, para 4.7.

<sup>93</sup> *Official Report*, Wednesday 19 December 2001, col 90WH. See also Ev 53.

<sup>94</sup> Q20.

<sup>95</sup> Q173.

<sup>96</sup> Ev 53.

the LINK project which sought improvements in both design and productivity and to efforts to improve marketing. These two industry led initiatives are conjoined in the 'Master Class' concept, whereby industry experts might visit shipyards and make recommendations for improvement.<sup>97</sup> Scottish Enterprise noted that "productivity figures showed that the UK yards are at a disadvantage to European and Korean yards". There was also a price differential of 7 per cent between UK and European yards which had to be bridged.<sup>98</sup>

### Shipbuilding and Marine Industries Forum

44. In December 2001, the Minister for Employment and the Regions said that "The Government are confident that the industry has a sound future".<sup>99</sup> He noted the advent of the Shipbuilding and Marine Industries Forum established in 1998, which has set targets for increased competitiveness. This broad-based group, comprised of representatives from across the industry, "was the very first time that all the parties crucial to the future of the industry had sat down together at the same table".<sup>100</sup> Initially the Shipbuilding Forum, as it then was, probably did not live up to expectations. But in its memorandum the DTI noted improvements in the Forum whose membership had been expanded and which had established "a high-level Steering Group" to lead the drive for improved competitiveness.<sup>101</sup>

45. The assessment by witnesses at our second oral evidence session was rather more low key. BAE SYSTEMS seemed to regard the Forum as a talking shop and would not commit itself with regard to its effectiveness.<sup>102</sup> The Minister of State for Energy and Construction argued that the Forum could be more useful than hitherto, hence the reason for its recent re-vamp.<sup>103</sup> The Minister drew an analogy with the success of PILOT, the forum for the oil and gas industry, itself the product of innovative and constructive thinking.<sup>104</sup>

46. In its report, the Task Force suggested that the creation of a Maritime Industry Co-ordinator should be considered.<sup>105</sup> Scottish Enterprise noted that such a role was a feature of the successful German shipbuilding industry.<sup>106</sup> The introduction of a Maritime Industry Co-ordinator was also supported by trade union witnesses.<sup>107</sup> The Minister of State for Energy and Construction edged away from the proposition, although he thought the idea to be attractive in principle.<sup>108</sup> He explained that the Shipbuilding and Marine Industries Forum, where his place as chairman had now been taken by an industry representative, had considered the matter and wondered if it was necessary to create a specific role for a job that it was in a position to do itself.<sup>109</sup> BAE SYSTEMS thought that success of any co-ordinating role depended on the range of responsibilities it encompassed. It was perhaps not easy to make direct comparisons with the situation in Germany where the shipbuilding industry was subject to a different history and structure.<sup>110</sup> In the summary of progress on Task Force recommendations (see the Annex below), it is stated against recommendation 2 that:

---

<sup>97</sup> Ev 54.

<sup>98</sup> Q20.

<sup>99</sup> *Official Report*, Wednesday 19 December 2001, col 89WH.

<sup>100</sup> Ev 53.

<sup>101</sup> Ev 52.

<sup>102</sup> Qq105 and 106.

<sup>103</sup> Q149.

<sup>104</sup> *Ibid.*

<sup>105</sup> *Clyde Shipyards Task Force Report*, Recommendation 2.

<sup>106</sup> Q16.

<sup>107</sup> Q65.

<sup>108</sup> Q144.

<sup>109</sup> *Ibid.*

<sup>110</sup> Q103.

“The reconfigured Shipbuilding and Marine Industries Forum and its steering group has the scope to undertake many of the functions of the proposed coordinator described in the task force’s report. The Forum will keep this position under constant review.”

**47. We think this is the best way forward. It is very much in the interests of the UK shipbuilding industry to strive to develop a system of mutual support and co-operation which would enable the dissemination of best practice and stimulate growth. The introduction of an individual overseer or “Czar” would be no panacea to the problems faced by the industry today. We do not consider that in the context of the shipbuilding environment one person could be expected to be able constructively to manage the dynamics surrounding competition, commercial sensitivity and Government procurement activity to the satisfaction of all those involved. The Shipbuilding and Marine Industries Forum allows the separate parts of the industry their own voice. It could well be that to display itself with maximum efficiency and force, the Forum needs to undergo further re-organisation. But it is the appropriate body to deal with the issues which otherwise might be directed towards a co-ordinator.**

### **Subsidies**

48. Glasgow City Council has said that UK shipbuilding exists in a European market which has seen the phasing out of subsidies. But it believed that globally the UK’s main competitors appear to be subsidised.<sup>111</sup> The Minister of State for Energy and Construction described the subsidy argument as a “holy myth” of the shipbuilding industry, which (with the exception of examples involving South Korea) was used to excuse the loss of business for other reasons.<sup>112</sup> EU subsidies for shipbuilding have been discontinued. Some member states were campaigning for their reintroduction, more as a weapon in the fight against unfair practices discernible in the shipbuilding industry of South Korea, than any significant attempt to change policy within the EU.<sup>113</sup> The UK Government opposed the use of subsidies.<sup>114</sup>

---

<sup>111</sup> Ev 5.

<sup>112</sup> Q163.

<sup>113</sup> Q170.

<sup>114</sup> Q169.

## Conclusion

49. Over the next 10 years or so, much will hinge on a substantial amount of work on the proposed two new aircraft carriers being carried out on the Clyde<sup>115</sup> (in anticipation of a crucial role, BAE SYSTEMS has leased a dry dock at Inch Green<sup>116</sup>), the further development of the Type 45 destroyer contract<sup>117</sup> (currently six have been ordered, for which BAE SYSTEMS is the Prime Contracting Organisation, six more are pending), winning export orders and perhaps some diversification into commercial work. The period beyond 2015 is more uncertain,<sup>118</sup> although in a debate on Defence Policy (Scotland) in Westminster Hall on 1 May, the Minister of State for Defence said:

“The shipbuilding industry is a key part of defence spend. The Government plan to build up to 30 warships in the UK over the next 15 to 20 years. That is the biggest shipbuilding programme since the second world war”<sup>119</sup>.

---

<sup>115</sup> Under the Prime Contracting Organisation (PCO) arrangements of the current system for procurement, BAE SYSTEMS Marine can work under sub-contract to PCOs other than BAE SYSTEMS and does not therefore need to rely on BAE SYSTEMS to secure work. See Ev 8 and Ev 3, para 23.

<sup>116</sup> Ev 35, para 4.4.

<sup>117</sup> MoD expects Clyde shipyards to have the opportunities to participate in these future programmes. See Ev 49, para 3.

<sup>118</sup> Ev 10.

<sup>119</sup> *Official Report*, Wednesday 1 May 2002, col 202WH.

## CLYDE SHIPYARDS TASK FORCE REPORT

## SUMMARY OF RECOMMENDATIONS: UPDATE

4 June 2002

	<i>Strategy recommendations</i>	<i>Responsibility</i>	<i>Progress</i>
1	UK <b>government shipbuilding policy</b> should be restated in the light of this report.	DTI, MoD	UK Government shipbuilding policy will be restated within the context of a wider industry-led policy statement. A final draft of this statement, including a specific reference to warships, will be considered at the Shipbuilding and Marine Industries Forum on 19 June 2002.
2	The creation of a <b>Maritime Industry Co-ordinator</b> should be considered.	DTI	The reconfigured Shipbuilding and Marine Industries Forum and its steering group has the scope to undertake many of the functions of the proposed coordinator described in the task force's report. The Forum will keep this position under constant review.
3	The Scottish Executive and DTI should actively encourage Scotland's remaining shipbuilding business to evaluate the potential for <b>collaborative ways of working</b> across the UK industry.	Scottish Executive, DTI	This is being addressed at the UK level through the Shipbuilding and Marine industries Forum with the SSA and is largely covered by 2 above. Little formal progress has been made, but there is an increasing degree of collaboration at the local level, eg between Ferguson and BAE SYSTEMS Marine.
4	The Scottish Executive and Scotland Office should continue to support a positive resolution of the current uncertainty on <b>Shipbuilders' Relief</b> for export warships.	Scottish Executive	UK Government is reviewing this. Officials are keeping themselves informed.
5	In addition to current government activity, every appropriate opportunity should be taken to include Scotland Office Ministers in promoting Clydeside's case in <b>securing new export orders</b> .	Scotland Office	DESO keeps Scotland Office officials informed of all relevant sales campaigns to ensure that Scotland Office Ministers have access to opportunities to support Clydeside companies' ventures in the defence export market.
6	The Government should consider whether there are lessons to be learnt from other industrial sectors in the <b>promotion of exports where there are competing bidders</b> .	DTI, MoD	DTI's approach was to support one UK bidder only where aid was required through a "chosen instrument" approach. This involved the selection of one company to receive aid, based on criteria such as price, quality, credibility and experience in the particular market place. The MoD continues to assess, on a case-by-case basis, the best way of supporting bids by UK warship builders.
7	The DTI should continue to engage with the MoD to consider the <b>industrial implications of procurement strategies</b> .	DTI, MoD	This is continuing; there are well-established formal and informal mechanisms at different levels to ensure that this happens.
8	The Government should continue to take account of the detailed <b>industrial implications of its procurement decisions</b> for naval shipbuilding, including design and integration capabilities.	MoD	MoD is well aware of the importance of retaining a healthy industrial base for warship building in the UK. (See also 7 above.)

9	As the specification for replacement vessels for the Royal Fleet Auxillary becomes clear, early <b>clarification on their designation as warships</b> would be welcomed.	MoD	The specifications have not yet been identified, although the MoD will endeavour to identify, as soon as possible, whether new afloat support vessels will be designated as "warlike stock".
10	The current <b>high level of support</b> from the most senior Scottish and UK government Ministers for the industry should continue.	Scottish and UK Governments	Support is continuing in an ongoing basis.
11	The Scottish Executive should carry out an <b>audit of the high value added activities</b> within the shipbuilding industries in order to position it within the appropriate context of its industrial policy.	Scottish Executive	Audit has now commenced.
12	The Scottish Executive should assess the <b>potential of offset</b> as an export development opportunity for appropriate Scottish companies.	Scottish Executive	Is currently being investigated re: aerospace. Will investigate for shipbuilding parallel to action on recommendation 11. The DESO Offset Officer is available to assist British defence companies in formulating and delivering complex offset packages which could be of wider benefit to British industry.
13	The Scottish Executive should assess and evaluate related <b>opportunities for Scotland's knowledge based industrial development</b> , including wave energy generation and remotely operated vehicles (ROVs).	Scottish Executive	Commenced. Funding has now been allocated to commission further research into strategy and exploitation of Scottish expertise in Wave Energy.
14	The Scottish Executive and the DTI should consider mechanisms for <b>promoting the prospects for this industry</b> as an appropriate route for investment and career development.	Scottish Executive, DTI	<p>Scottish Executive has implemented <i>Make it in Scotland</i> campaign to encourage S2 pupils to consider manufacturing as a career choice. Campaign was successfully piloted in East Ayrshire in 2001 and extended to Ayrshire, Glasgow and Angus in 2002. It will be rolled-out throughout Scotland in 2002-03 by Careers Scotland. BAE SYSTEMS Marine participated in the 2002 roadshows in Glasgow.</p> <p>At the UK level, the Chamber of Shipping is developing a Sea Blindness campaign, part of which promotes career opportunities in marine, including shipbuilding and ship repair and on board ships. DTI is also working with EMTA to identify training needs and develop training programmes.</p>
15	BAE SYSTEMS Marine should continue to pursue <b>commercial work</b> where this is compatible with warship capacity demands and a sound business case can be made.	BAE SYSTEMS Marine	Understand that BAE SYSTEMS is pursuing this as appropriate.

	<i>Skills recommendations</i>	<i>Responsibility</i>	<i>Progress</i>
16	BAE SYSTEMS Marine should develop a relationship with Careers Scotland, Glasgow City Council Education Directorate's <i>Going to Work in Glasgow</i> campaign and the Scottish Executive's <i>Make it in Scotland</i> campaign to continue to attract young people as modern apprentices.	BAE SYSTEMS, Careers Scotland, GCC, Scottish Executive	BAE SYSTEMS Marine participated in the 2002 <i>Make it in Scotland</i> roadshows in Glasgow (see 14 above).  BAE SYSTEMS Marine continue to recruit Modern Apprentices; the precise numbers in each trade are still under review.
17	The company should work in partnership with the trade unions to create a <b>network of learning representatives</b> who would be able to give information, advice and guidance on learning and development opportunities.	BAE SYSTEMS	BAE SYSTEMS Marine is supporting the introduction of learning representatives across the company. Work has been done on understanding the effectiveness of learning representatives on companies that have piloted the scheme, eg. BAE SYSTEMS Airbus in Broughton. A working party will be set up in June to establish the number of representatives and the process for identifying and delivering training needs. Training for the representatives will be provided through the TU.
18	The company should set up a <b>learning centre</b> in the Govan yard, as already exists in Scotstoun, to ensure easier access for the Clydeside workforce.	BAE SYSTEMS	A site for the Govan OL centre has been identified and work will begin this month on setting up the facility which will be operational in June. This will be manned through the company's HR organisation <b>together</b> ; the intention is to establish a partnership with Cardonald College to run the centre. The Scotstoun OL centre will also be refurbished to provide a common service.
19	Further roll-out of development of <b>cross-skilling</b> in support of the introduction of concurrent working is necessary. Further development of the training needs analysis will also be required.	BAE SYSTEMS	The 2002 HR strategy incorporates an objective to access Marine's capability with a view to identifying skill gaps & development needs for the future. This activity will build on the original training needs analysis produced for the task force. It will also incorporate the findings from the activity analysis project which is ongoing within the IBS project. This is directly linked to the new role profiles identified in the company's recent change initiative. A total of 45 people have been involved in some form of cross-skill training.
20	BAE SYSTEMS Marine should continue to exploit <b>e-learning</b> developments.	BAE SYSTEMS	Marine now has the capability for employees to access Netg e-learning material at their workplace and at home. The Scotstoun OLC is already part of the Learn Direct network and will be capable of accessing the REAL network when Govan is on line.

21	<b>Externally certificated qualifications</b> should be used, so that the company can be certain of the full extent of employee capabilities.	BAE SYSTEMS	All New Start programmes are NVQ accredited. The Marine Out of Hours programme offers accredited course e.g. 16 <sup>th</sup> edition PAT-testing courses in Scotstoun. 25 people have been accredited to date. The material handling courses e.g. Fork lift truck, Cherry pickers, scissor lifts etc are externally accredited. Every effort is being made to ensure training meets the standards of an accreditation body wherever possible.
22	The reappraisal of the relationship between the build strategy and skills requires further investigation of how <b>concurrent working</b> may be implemented. The 6 Sigma pilot should be applied to all areas of the build strategy. The philosophy and principles of the core skills embedded in apprenticeships will be required to introduce successful concurrent working.	BAE SYSTEMS	A review of Apprentice training is examining the skills gained in their training in relation to the skills needed in the business. This is underway across Marine including the Clyde and is drawing on the resources of EMTA who will ensure the standard is acceptable across the UK shipbuilding industry. This work will also help develop the future skills of the company's existing core workforce.

	<i>Community Regeneration and Land Use recommendations</i>	<i>Responsibility</i>	<i>Progress</i>
23	<b>Significant investment</b> should be made in the <b>Scotstoun and Govan areas</b> to improve the economic performance of and facilities for the communities.	SEG, SEN GCC, Scottish Executive, etc	See separate update on table 4.1 projects.
24	<b>Funding should be secured</b> as early as possible for the high priority projects listed in table 4.1 to facilitate the regeneration process.	SEG, SEN GCC, Scottish Executive, etc	As above.
25	These opportunities and initiatives <b>should be considered by the emerging Clyde working group</b> chaired by Scottish Enterprise and it should be invited to take matters forward with energy and commitment.	Scottish Enterprise	Currently ongoing and being given high priority
26	Progress on these opportunities and initiatives should be <b>monitored and reported</b> to the Minister for Enterprise, Transport and Lifelong Learning.	Scottish Executive	Ongoing.

	<i>Redundancy Management recommendations</i>	<i>Responsibility</i>	<i>Progress</i>
27	Scottish Enterprise should develop appropriate <b>short term 'conversion' training programmes for mature workers seeking to skill-up</b> in order to take advantage of opportunities in growth industries, particularly in the oil and gas industry and in gas central heating installation.	Scottish Enterprise	Achieved. Agreed site is now Reid Kerr CFE. Expect training ready start within next few weeks.  Five people are about to start Transco training with Glasgow City Council.
28	Scottish Enterprise should fund a <b>short-term training and employment subsidy programme</b> to encourage employers to recruit and retrain redundant shipyard workers six months after redundancy.	Scottish Enterprise	Ongoing.

	<i>Monitoring recommendation</i>	<i>Responsibility</i>	<i>Progress</i>
29	The Clyde Shipyards Task Force should reconvene in June and December 2002 to <b>monitor implementation and to ensure that progress has been made</b> on these recommendations above.	Scottish Executive	Meetings are planned 5 June and 2 December 2002.

## MINUTES OF PROCEEDINGS RELATING TO THE REPORT

WEDNESDAY 3 JULY 2002

Members present:

Mrs Irene Adams, in the Chair

Mr Alistair Carmichael	Ann McKechin
Mr Peter Duncan	Mr John Robertson
Mr Eric Joyce	Mr Mohammed Sarwar
Mr John Lyons	Mr Michael Weir

The Committee deliberated.

Draft Report, (Employment in Shipbuilding on the Clyde), proposed by the Chairman, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 49, read and agreed to.

Annex agreed to.

*Resolved*, That the Report be the Fifth Report of the Committee to the House.

*Ordered*, That the Chairman do make the Report to the House.

*Ordered*, That the provisions of Standing Order No. 134 (Select committees (reports)) be applied to the Report.

[Adjourned to Wednesday 23 October at Ten o'clock.]



Distributed by The Stationery Office Limited and available from:

**The Stationery Office**

(mail, telephone and fax orders only)

PO Box 29, Norwich NR3 1GN

General enquiries 0870 600 5522

Order through the Parliamentary Hotline *Lo-call* 0845 7 023474

Fax orders 0870 600 5533

You can now order books online at [www.tso.co.uk](http://www.tso.co.uk)

**The Stationery Office Bookshops**

123 Kingsway, London WC2B 6PQ

020 7242 6393 Fax 020 7242 6394

68–69 Bull Street, Birmingham B4 6AD

0121 236 9696 Fax 0121 236 9699

9–21 Princess Street, Manchester M60 8AS

0161 834 7201 Fax 0161 833 0634

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

The Stationery Office Oriel Bookshop

18–19 High Street, Cardiff CF1 2BZ

029 2039 5548 Fax 029 2038 4347

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

**The Parliamentary Bookshop**

12 Bridge Street, Parliament Square

London SW1A 2JX

Telephone orders 020 7219 3890

General enquiries 020 7219 3890

Fax orders 020 7219 3866

The Stationery Office's Accredited Agents

(see Yellow Pages)

*and through good booksellers*

© Parliamentary Copyright House of Commons 2002

Applications for reproduction should be made in writing to the Copyright Unit,

Her Majesty's Stationery Office, St Clements House, 2–16 Colegate, Norwich NR3 1BQ

– Fax 01603 723000

ISBN 0 215 00431 0