

Maintaining a World Class Shipbuilding & Repair Sector in the UK





introduction

Over the past 30 years the UK shipbuilding, repair and conversion industry has experienced substantial rationalisation, mergers and consolidation. This has been set against a background of increasing global shipbuilding capacity, especially in South Korea and China.

The UK Shipbuilding & Repair sector is crucially linked with the procurement of defence equipment from the Ministry of Defence (MoD) and one of the key problems within the sector has been the tragic decline of the commercial merchant shipbuilding sector. As a consequence the sector is increasingly reliant on MoD contracts for work and there is an unhealthy balance of defence versus commercial business.

The aim of this document is to provide a strategic overview of the current position for the UK Shipbuilding & Repair sector and to look at the impact of the government procurement process and the issues that have bedevilled the sector in the past which could remain a legacy for the future. Unite believes it is of over-arching importance that the sector works to boost export orders and to increase the value and scale of commercial orders in an attempt to reduce the reliance on procurement contracts from the MoD.

Unite believes the UK Shipbuilding & Repair sector is of strategic importance to the economy, balance of payments and homeland security. The sector also contributes extensively to the wider manufacturing sector with advanced technological research and development which produces products that can be transposed to other sectors of the UK economy. It is for these reasons that Unite continues to campaign for greater recognition for the members employed within the sector and the vital contribution they make to the UK economy.



historical context



The UK shipbuilding industry was decimated in the 1980's with the Thatcher government using the European Structure Fund; which was intended to revitalise industry, to make the UK industry totally redundant.

As a consequence of this the sector has struggled to regain its place as part of the UK manufacturing crown jewels. What this has meant to the sector and to the UK economy is that the sector has not been able to recover its former commercial position and in many cases has lost ground to the European shipyards; many of which were supported financially by their governments under the European Structure Fund, and also because of the onward march of globalisation and the emerging markets of South Korea, China and Japan.

Fortunately, this situation has now been rectified on the defence side and although the sector is leaner and has gone through a series of brutal restructurings, Unite believes the sector is now at the forefront of designing, building and supporting complex warships and submarines, with a workforce that is highly educated, highly skilled and possesses a large number of key technical skills that cannot be replicated elsewhere.



procurement

The UK Shipbuilding & Repair sector is dominated by the awarding of contracts from the Ministry of Defence. The Defence Industrial Strategy (DIS) was instrumental in bringing together a common objective between government, the defence industry, trade unions and workers. This objective was to ensure the long term sustainability and capability of the Aerospace and Shipbuilding & Repair sectors.

The industrial strategy provided for a strategic overview of the requirements of the Ministry of Defence (MoD) and a programme of re-structuring for the sector that would facilitate increased efficiencies and cost savings to the UK

government and tax payer. Because this strategy was planned and mutually agreed by all stakeholders there was a common goal for the sector and a positive and dynamic aspiration for the long term sustainability of the sector.

What the strategy has delivered in reality is a series of contracts for the defence sectors that have ensured the long term sustainability of the Shipbuilding & Repair sector, the retention of jobs in areas of economic and social deprivation and a determined programme of retaining skills, knowledge and experience in a sector bedevilled by skills gaps and shortages.

Government procurement in the Shipbuilding & Repair sector has been a significant success story. The contracts that have been awarded to companies; such as BAE Marine, Rolls Royce and Babcock Marine have ensured the current economic stability of the sector and long term sustainability for the next 15 years.

Unite has consistently worked with the other stakeholders to make the Defence Industrial Strategy a success. Unite believes that to ensure the long term security and productivity of the defence sector in the UK there must be a concerted effort by government to publish their long term goals for the future of the defence sector in the UK.



capability and jobs

Through life capability has always been of strategic importance to the sector. However, with the current focus on national and international security it is vital that the Ministry of Defence (MoD) recognises that capability and investment in jobs is crucial to the delivery of the major projects currently on the MoD order book. Continuous delays are untenable and an investigation by the National Audit Office has shown that continuous delays end up costing the tax payer more than the original contract.

The recent decision by government to invest heavily in the submarine industry with Astute, and the awarding of contracts for the two new Royal Navy aircraft carriers – HMS Queen Elizabeth and HMS Prince of Wales has provided for a long period of secure work and economic stability for ship yards across the UK.

In turn the work is expected to underpin a total of 10,000 jobs at the yards in Appledore, Portsmouth, Glasgow and Rosyth. This is excellent news for the sector and in particular will secure the continuance of skills, knowledge and experience of the workers in the sector. For example, a three year campaign has been launched in Scotland to recruit more than 1,000 people into the Shipbuilding & Repair sector. This will provide valuable and needed apprentice opportunities in the region and will encourage economic growth and social stability for the local communities.

The UK Shipbuilding sector is a unique niche sector. The workers within the sector are highly skilled, highly educated and have undergone extensive training. The work they do is not undertaken anywhere else in the UK and the products they produce are crucial to the safety and security of the UK's armed forces.

skills and training



Unite has consistently worked with government, employers and other stakeholders to raise the issue of basic skills needs across the UK manufacturing sector and also to highlight the growing problem of skills gaps and shortages in various sectors across manufacturing including Shipbuilding & Repair.

Government has acknowledged the crucial role trade unions play in increasing opportunities for workers to engage in further learning and to improve the developmental opportunities within their workplace. This opportunity has been enhanced by the trade union learning fund and trade union learning representatives.

An example of the resounding success of trade union learning can be seen at the Trade Union Learning Centre at BAE Systems, Barrow-in-Furness. So far, over 700 people have taken part in learning initiatives ranging from basic I.T. to literacy, numeracy and other work related subjects. There are also a number of examples where workers have successfully completed external courses; such as Photography and Sociology for their own personal development and pleasure.

There are still a large number of workers who are waiting to undertake courses and it is clear what a positive influence and lever of empowerment that this workplace learning initiative has been on the workers in the sector.

The reps and management at Barrow have acknowledged the vital role trade unions play in enabling workers to access training, learning and further education opportunities. All stakeholders are working together to ensure that the workers at Barrow enjoy the opportunities that life long learning can bring.

There are also similar successful Learning Centres at BAE Systems in Glasgow and VT in Portsmouth.

The present government has also shown a commitment to achieving the targets laid down by the Lisbon Treaty; one of which is the production of a high knowledge and highly educated workforce. However, Unite has concerns about the achievement of these goals with the pressing problems of science, maths and language teaching in the UK and the way the higher education sector is funded. Unite also has concerns because government has recently announced it is reducing the number of funded university places for UK students.

Unite believes it is vitally important that government recognises that to preserve the ability to design, build and support complex warships and submarines, there will need to be a concerted and sustained commitment to retain and promote a number of key skills within

the sector. In particular, designers and professional engineers are of key importance to the sustainability of the sector.

The future Shipbuilding & Repair programme for the UK involves acquiring more than 50 ships and submarines over the next 30 years. To be able to fulfil this programme the skills within the sector must be retained. Evidence has shown that it can take on average six to eight years for skilled workers to reach their optimum level of productivity¹ to this end government must ensure that skills in the sector are not lost and there is a continuing focus on training and development for all skill levels within the sector.

Unite believes there must also be a review of skills and training across the supply chain, which the Shipbuilding

sector is heavily reliant upon. This is a crucial issue for the sector and for manufacturing as a whole. There are also concerns around the age profile of the sector, where half of those employed within the sector are currently over 45 years of age² also; evidence shows that total labour demand for all skills within the future shipbuilding programme will rise steeply until 2013³.

Unite believes the sector requires a long term strategic plan to define the Shipbuilding & Repair sector goals and to ensure that some form of schedule is devised for investment to retain specialised skills, encourage retraining and up-skilling and also pin point any future skills requirement that may need to be considered. With an 8 year worker productivity lead in, this is a crucial issue for all stakeholders in the sector.

¹Sustaining Key Skills in the UK Naval Industry – Survey by Rand for the Ministry of Defence 2008.

²Sustaining Key Skills in the UK Naval Industry – Survey by Rand for the Ministry of Defence 2008.

³ibid

apprentices



One of the ways in which the sector works towards retaining skills is to ensure there are successful apprentice programmes in place. Some of the most successful are, Rolls Royce Marine, where there are 23 Modern Apprentices with 90% retention and completion rate and where a number of previous apprentices now hold key positions within the organisation.

Babcock Marine in Rosyth has fifty phase 1 and fifty phase 2 apprentices with excellent retention rates and recognition by the company that apprentices are one of the key solutions to the current skills shortage within the Shipbuilding and Repair sector.

At BAE Systems in Glasgow, there has been a programme of apprentice recruitment and training which started in 2003. The company has recruited on average 95 apprentices per year with excellent retention rates. The apprentice programme is acknowledged as having a significant impact in reducing the average age profile of the company which is vital for the retention of skills in the sector.

In Plymouth a new scheme has been introduced with an aim to see 40 skilled Shipbuilding apprentices each year entering the local workforce. City College Plymouth has signed a partnership agreement with Babcock Marine to deliver an apprenticeship training programme for the dockyard. The apprentice training scheme is widely acknowledged as being one of the best in the Shipbuilding and Repair industry.

The apprenticeship programme clearly offers opportunities for people to learn 'on the job' and be paid at the same time. The schemes also offer opportunities for older workers to re-train and use their existing experience and knowledge in other areas of industry. Unite believes apprenticeships are crucial for manufacturing in the UK and especially for industries where it is vitally important that 21st century skills are retained in the UK.



For shipyards in Europe the story is very different, they are experiencing increasing pressure from global competition, especially from Asia. In Europe the focus for the Shipbuilding

yards is the civil market compared with the UK where there is a predominantly military shipbuilding capability. Unfortunately Europe lost its case in the complaint submitted to the World Trade

Organisation (WTO) against the South Korean shipbuilding industry regarding the provision of unfair export subsidies⁴. As a consequence the European market is beset by the competitive advantage held by Korea in the civil shipbuilding sector, and when coupled with the current economic downturn the civil sector is clearly facing severe hardship.

The European Shipbuilding industry remains fragmented and relatively small scale with very few effective trade policy instruments to encourage further growth and demand. As such, the increase in investment for the UK Shipbuilding & Repair sector by the Ministry of Defence shows a level of vibrancy and confidence that is clearly at odds with what is happening in Europe at this time.



global recession

In other parts of the world Shipbuilding & Repair have been greatly affected by the global economic recession. This is unfortunate as the industry in the UK has fought hard to improve and modernise its image as a sector that is producing outstanding technological achievements and the design capabilities of the sector are at the vanguard of ship and submarine design and build.

The sector in the UK is struggling to recruit sufficiently qualified engineers and designers and as such may have to look abroad for the skilled workforce it requires, however Unite is adamant that while these workers will be welcome there will be no reduction in existing pay rates, terms and conditions and any long standing national agreements.

For the long term future, the current economic recession may prove problematic. There is increasing pressure on government departments to modernise, add value and reduce public sector spending. With the present commitment for contracts which will provide at least 15 years of work the sector looks in good shape to weather the current economic downturn. However, it is vital that strategic long term investment planning is considered for the period after 2023.

⁴www.wto.org

unite recommendations

- UK Shipbuilding & Repair deserve a continued level of government investment and support to maintain and enhance its position as a world class producer of ships and submarines.
- Defence equipment purchased by UK government must pass three sovereignty tests. The intellectual property rights of the products must be UK based. The research and development of the product must have UK content and the manufacture of the equipment must be UK based.
- Unite believes it is vital government commits to the long term investment in innovation and research and development for the sector.
- Government must ensure that the right economic environment is created to enable the Shipbuilding & Repair sector to continue to flourish and grow.
- The long term vision for the Shipbuilding & Repair sector must include an acknowledgement that new technologies and innovations will require investment in new skills and training for workers.
- Unite has seen with dismay that government funded university places for UK students are to be reduced. It is crucial for the long term success of the UK economy that government invests in UK students encouraging them to enter STEM⁵ subject degree programmes.
- Through life capability is of vital importance to the long term prosperity and growth of the sector. Government must set realistic, strategic objectives to take this issue forward.
- Government must ensure that the skills, experience and knowledge in the Shipbuilding & Repair sector are retained. This is a niche sector and the skills therein cannot be replicated elsewhere.
- Unite would like to see the Ministry of Defence give consideration to the potential exportability of defence equipment in the commissioning process. This would allow the tax payer to re-coup some of the cost of design and production and facilitate a wider market for UK products.
- Unite would like to see government commit to supporting UK manufacturing and acknowledge the sectors vital importance to the long term economic prosperity of the UK economy.

⁵Science, Technology, Engineering and Maths (STEM)



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