

3.

MINISTRY OF DEFENCE**The Future of ABRO and DARA**

The Minister of State for the Armed Forces (Rt Hon Adam Ingram): I am announcing today, subject to trades union consultation and appropriate Parliamentary consent, the creation of a new defence support group by merging together ABRO, retained DARA business units and certain other defence support facilities. This new group, operating as a trading fund, will begin formal trading by April 2008 and will focus solely on the delivery of the Defence Industrial and Technology Strategies by being a flexible, responsive, operationally excellent organisation that provides a cost competitive in-house maintenance, repair, overhaul and upgrade capability in support of the Armed Forces, operating where appropriate in partnership with industry.

DARA is undergoing a major transformation programme: the Fast Jet and Engines businesses closed in March 2007; the Rotary Wing and Components businesses are currently going through a sale process; and we have already announced the retention of the electronics business at Sealand. The VC10 business unit at St Athan has also been subject to a market testing exercise. However, as it is now apparent that sale is unlikely to offer best value for defence, the sale of the VC10 business unit will not now proceed. By retaining ownership, MOD will better manage the interface between the VC10 business and the Defence Training Review, both of which are based at St Athan in South Wales. A decision will be taken shortly on whether the best value for defence can be secured by transferring the Rotary and Components businesses outside the MOD. If not, these business units will also form part of the new defence support organisation.

Commitment from the MOD to sustain essential levels of capability and capacity will provide the new defence support group with greater clarity and allow it to implement a programme of continuous improvement. At the same time, the new organisation will look to consolidate and build on ABRO's and DARA's existing defence industry relationships and partnerships, by entering into agreements on future equipment programmes. These will ensure MOD retains the Intellectual Property and design

skills required to maintain operational sovereignty in key areas as set out in the Defence Industrial and Technology Strategies.

This announcement draws both organisations more closely into delivering key MOD strategies and supporting the Armed Forces. As the plans for the new organisation develop during the course of 2007, we are committed to consulting closely with staff and trades unions.

Tuesday 22 May 2007