Socio-Economic Impact Assessment of Portsmouth Naval Base

Submitted to
Portsmouth City Council and SEEDA

Prepared by
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Contents

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Explanatory Note on Tables

Throughout the report a numbers of tables are used to provide key information about the employment and income created and supported by the presence of the Royal Navy at Portsmouth Naval Base. The employment tables show TWO sets of information and it is useful to provide a brief explanation of the information contained in these tables. Information on employment and jobs can be viewed in two ways:

- ❖ Either in terms of where the EMPLOYER is located e.g . VT is based in Portsmouth at the Naval Base or
- ❖ Where the EMPLOYEE in the job actually lives e.g. many of VT's employees still live in Southampton.

Taking Table 1 from the report as an example this shows the employment of service and civilian personnel at Portsmouth Naval Base. The Final Row - **Total Number of Jobs** shows TOTAL number of jobs in each job category e.g. 2,308 service personnel are stationed at Portsmouth Naval Base. Technically, this means that all of the jobs in this table are located in Portsmouth, but not that the employees live in the city.

The **Area of Residence of employees** rows show where the people in the jobs actually live. For example, looking at the 2,308 service personnel stationed on the base (column 2), many of them live 'out of the area'. This is common with service personnel who may have their home address somewhere else in the UK rather than where they are stationed. Therefore, of these 2,308 service personnel, 551 live in Portsmouth, 352 in Gosport, 331 in Fareham etc BUT all of them are in jobs that are based in Portsmouth.

These distinctions are important because when looking at the totals for the table as a whole, this shows that there is a total of 9,774 jobs LOCATED at Portsmouth Naval Base. Due to the fact that a large number of these jobs are with the Navy or MoD, many service personnel (and some civilians who commute) live out of the area (43% in total). This means that the 20% figure for Portsmouth in the % of total column DOES NOT MEAN THAT 20% of On Base jobs are located in Portsmouth, in fact ALL of these jobs are located in Portsmouth BUT only 20% of the people employed in them live in Portsmouth.

Table 1 – Portsmouth Naval Base DIRECT Employment

Area of Residence of employees	Ships Crew	HMNB and Nelson Service	HMNB and Nelson Civilians	Total	% of Total
Portsmouth	685	551	703	1939	20%
Gosport	755	352	387	1494	15%
Fareham	549	331	221	1101	11%
Havant	149	107	212	468	5%
Southampton	146	128	56	330	3%
Eastleigh	31	12	16	59	1%
USH Total	2316	1481	1594	5390	55%
Rest of S. Hants/IoW	66	35	67	168	2%
S.Hants/IoW Total	2382	1516	1661	5559	57%
Live 'Out of Area'	3298	792	125	4215	43%
Total Number of Jobs	5680	2308	1786	9774	100%

Explanatory Note on Assumptions

The closure and growth outputs contained within this report are sensitive to the underlying assumptions detailed in sections 4 and 5. These assumptions are, where possible, based upon available primary and secondary information. Despite this, the lack on information in certain cases and the inherent difficulty of forecasting for a four year period that is still two years away means that some of the assumptions may be subject to debate. However, the methodology used in deriving these outcomes allows for the assumptions made to be modified in order to examine the sensitivity of different assumptions and scenarios.

An illustration of this point can be provided using information on the employment and income of civilians on the Naval Base (from summary tables 3 and 4). In these tables it is assumed that 90% of civilian posts on-base are lost in the event of the minimization of PNB. The estimated impact of this is the loss of 1607 jobs and the loss of 70% of income, equivalent to £21.4m of local household income[1]. However, if these assumptions are changed so that only 80% of jobs and 60% of income are lost, the table below shows that only 1429 jobs would be lost (178 less) and £18.4m of household income (£3m less).

Variations in assumptions can be run for any number of scenarios and interested parties should contact the authors for more information

Example from Summary Tables 3 and 4		Impact of Varying Assumption	
Employment	Income (£m)	Employment	Income (£m)
-90%	-70%	-80%	-60%
Portsmouth HMNB and HMS Nelson - CIVILIANS	Portsmouth HMNB and HMS Nelson - CIVILIANS	Portsmouth HMNB and HMS Nelson - CIVILIANS	Portsmouth HMNB and HMS Nelson - CIVILIANS
-633	-8.5	-562	-7.3
-349	-4.8	-310	-4.1
-199	-3.0	-177	-2.6
-191	-3.0	-170	-2.6
-50	-0.8	-44	-0.7
-14	-0.3	-12	-0.2
-1434	-20.4	-1275	-17.5
-60	-0.8	-54	-0.7
-1495	-21.2	-1329	-18.2
-112	-0.2	-100	-0.2
-1607	-21.4	-1429	-18.4

[1] This 70% figure is based on the fact the assumption that 30% of staff relocate to Devonport, 10% of current civilian staff are retained to manager the mothballed estate, 20% take early retirement or voluntary redundancy and the remainder are made redundant and are looking for work.

Executive Summary

The Ministry of Defence (MoD) is undertaking a review of the status of the status of Britain's three main surface fleet naval bases; HMNB Portsmouth, HMNB Devonport and HMNB Clyde/Faslane[2] The Naval Base Review Team appointed to undertake this exercise is examining three main options, the closure or minimisation of either Portsmouth or Devonport Naval Base or the introduction of 'local initiatives' at each base in order to minimise costs.

As part of this review process this report provides an assessment of the economic impact of Portsmouth Naval Base under three scenarios:

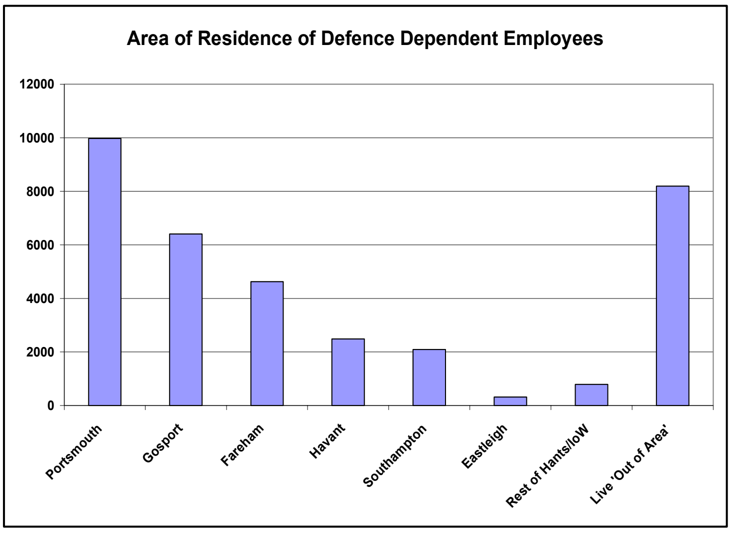
1. **A 'no change' baseline scenario**
2. **The minimisation of Portsmouth Naval Base**
3. **The Expansion of Portsmouth Naval Base (due to the minimisation of Devonport)**

The Main findings of the study are as follows:

<u>Current Employment and Income – The Baseline Scenario.</u>

The Portsmouth Naval Base and associated activities supports:

- **A total of just under 35,000 jobs within South Hampshire – consisting of**
- **13,300 Service jobs and**
- **21,600 Civilian jobs**
- **These jobs account for 8% of all jobs located in the sub-region and for the employment of 6.2% of people living within the area.**
- **15% of people living in Gosport, 10% of those in Portsmouth and 8% of those in Fareham are in 'defence dependent' jobs**
- **This employment and the spending of defence firms generates an income of £680m for the local economy.**

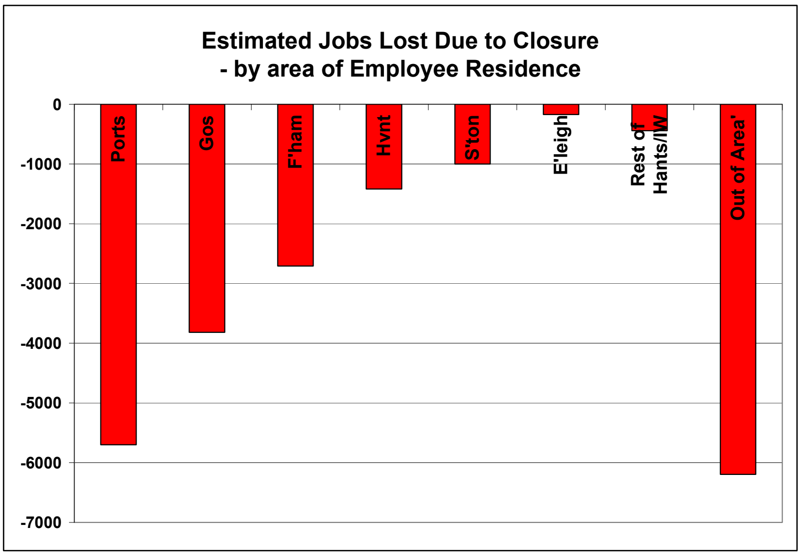


The people employed in these jobs live throughout the sub-region but the highest concentrations are in Portsmouth, Gosport and Fareham. Most of those living 'out of the area' are service personnel who have homes elsewhere in the country. In addition to those employed by the MoD many of the jobs are in firms that form part of the local defence 'supply chain'. The Portsmouth Naval Base is at the heart of this supply chain with many small specialist suppliers working directly or indirectly for the Naval Base or one of the three large contractors located on the Base (VT, FSL and BAE).

The Potential Impacts of Minimisation

Minimisation of Portsmouth Naval Base would mean the relocation of all ships currently based at Portsmouth to Devonport or elsewhere. This would mean that many service personnel and civilians currently living within the sub-region would relocate to Plymouth. In addition, the closure of the base would have knock on effects on the demand for the output of firms in the defence supply chain and on local household spending. The main impacts are:

- **The potential loss of 21,600 jobs from the area – consisting of**
- **10,300 service jobs and**
- **11,300 civilian jobs.**
- **Job losses will impact most heavily upon the districts of Portsmouth, Gosport, Fareham and Havant the residents of which could lose in the region of 13,650 jobs.**



The impact of these job losses upon local income could be in the region of £350m. Much of this in the key districts of Portsmouth, Gosport and Fareham .

This loss of income would be the result of lost household spending, reduced demand for the output of firms in the defence supply chain and reduced tourist numbers.

The Potential Impacts of Growth

Minimisation of Devonport Naval Base would mean the relocation of all ships currently based at Devonport to Portsmouth. This would mean a net increase in the number of service personnel on locally based ships or stationed at PNB. In addition, the growth of the base would have knock on effects on the number of civilians directly employed, the demand for the output of firms in the defence supply chain and on household spending.

Main impacts are:

- **The potential increase of over 2,900 jobs within the area – consisting of**
- **830 service jobs and**
- **2,100 civilian jobs.**
- **Any job gains will impact most upon Portsmouth, Gosport and Fareham, the residents of which could gain some 2,100 more jobs.**

- **The impact of this growth scenario upon income could see in the region of £65m flow into the sub-regional economy.**

In conclusion it is clear that the brunt of any change would impact most heavily upon the three authorities of Portsmouth, Gosport and Fareham where most of the current jobs are located and employees live (and spend their income). Any consideration of plans to either minimise or close the Portsmouth Naval Base MUST take into account the impacts that will undoubtedly fall upon these local areas as well as the rest of sub-region and South East.

Socio-Economic Impact Assessment of Portsmouth Naval Base

1 INTRODUCTION

1.1 Background[3]

The Royal Navy is presently in the middle of a major modernisation programme. This is focused on providing fewer but more capable platforms. The warship rationalisation of recent years has reduced the quantity of fleet support required. Traditionally, this support has been divided into operational support and refitting. However, the division is becoming less distinct as a consequence of the more frequent upgrading termed 'Fleet Time Refitting'. This is conducted in port on vessels in the highest state of readiness and is directed towards improving availability.

As a consequence of force reductions and rationalised maintenance techniques there is now excess capacity in fleet support facilities. That stated, it is strategically vital for the UK to ensure both effective operational support for the Royal Navy and the infrastructure to conduct the refitting of increasingly complex vessels. At the same time, within a constrained defence budget, fleet support must be undertaken in a cost-effective manner.

1.2 The Naval Base Review

In the light of these two requirements, the Ministry of Defence (MoD) is undertaking a review of the status of Britain's three main surface fleet naval bases; HMNB Portsmouth, HMNB Devonport and HMNB Clyde/Faslane[4] The primary objective of the review process is to achieve:

"the optimum Naval Base infrastructure for the next 40 years to meet Defence Final Outputs at best value for money to Defence and be coherent with other Maritime Industrial Strategy Outcomes."[5]

It is the considered view of the MoD that the three surface fleet bases have excess capacity in terms of both current and future surface support facilities. Hence, the purpose of the Naval Base Review (NBR) is to examine:

"***alternative infrastructure options in an attempt to close the affordability gap by eliminating over capacity in the Naval Bases.***"[6]

As part of its review process, the MoD, under the aegis of its appointed Naval Base Review (NBR) team, identified 10 possible 'options for change' for consideration[7]. Within

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[3] This section draws on material contained in the Maritime section of MoD, Defence Industrial Strategy, White Paper (Cm6697) December 2005, The Stationery Office, London.

[4] For The Naval Base Review Terms of Reference, see http:www.mod.uk/NR/rdonlyres (accessed 10th January 2007

[5] Source: Naval Base Review OGD/RDA brief. December 2006.

[6] Ibid

7 The ten options are i. Baseline (no change) ii. Local Initiatives at Naval Bases iii. Local and Collective Initiatives at Naval Bases iv. Local and Collective Initiatives at Naval Bases with Strategic Partnering v.

these options, three refer to the 'minimisation' of activities at one or more of the current bases. The MoD has stated that its main criteria for choice are driven by 'Defence Final Outcomes' namely, the need for 'defence readiness' and to be 'on target.'However, following the comments of local MP's, local councilors, businesses, trade unions and other interested parties, NBR has recognised that in addition to the main defence criteria, there are wider socio-economic impacts that also need to be considered.

1.3 The Aim Of This Report

In the light of this recognition, the aim of the present report is to analyse the socio-economic implications of the Portsmouth Naval Base for its immediate and surrounding localities. The analysis is provided for two geographic areas, as shown on the accompanying map. The inner circle comprises the districts within the sub-region of Urban South Hampshire (USH)[8]. The wider region covered by the whole map is designated as South Hampshire and the Isle of Wight[9] and includes all of the districts within a twenty mile radius of the Portsmouth Naval Base. For each of these two areas the economic and social impacts of three different scenarios are examined.

1.4 Three Scenarios

The NBR brief identifies three potential scenarios that may affect the region and sub-region of the affected bases.These scenarios are as follows.

Scenario 1 – Baseline (no change)

This estimates the current socio-economic impact of Portsmouth Naval Base upon the economy of the region and the sub-region. Estimation of the baseline socio-economic impact is important as it is this current value to the local economy against which any change implemented as a result of the MoD's review has to be measured. This baseline measure should include the direct contribution of the Naval Base to local income and employment. In addition, however, it should also encompass indirect contributions. These arise from two sources. First, from the co-location of other MoD establishments within the

Minimise Portsmouth vi. Minimise Devonport vii. Use 1 Naval Base viii. Totally New Naval Base ix. Use Multiple Commercial Ports x. Minimise Clyde.

[8] Urban South Hampshire is recognized as a sub-region within the latest Regional Economic Strategy for the South East and within this is designated as one of the South East's 'Growth Diamonds'. The sub-region comprises the districts of Portsmouth, Gosport, Fareham, Havant, Southampton and Eastleigh.

[9] This includes Winchester, Alton, Andover, Romsey, Petersfield and the Isle of Wight.

area and secondly, from private businesses wholly or partly dependent for their success upon the presence of the Naval Base.

Scenario 2 – Minimisation

This is based on the assumption of the minimisation of Portsmouth Naval Base, to be phased over the four-year period 2009 to 2013[10]. The aim of this scenario is to analyse the likely economic and social consequences for the sub-region of such a decision. Such a scenario assumes the minimisation of the base and either retirement, relocation or redundancy for the vast majority of the civilian and MoD staff currently employed there. This scenario also assumes the re-location of all Portsmouth-based surface fleet ships and their crews from Portsmouth to the remaining base(s). Minimisation of the Portsmouth naval facility and relocation of its base-ported ships would also have consequent knock-on effects upon the sub-regional economy. This might include the re-location or rundown of co-located MoD establishments; closure or rundown of base-located private sector firms; and impacts upon other businesses located throughout the sub-region.

Scenario 3 – Growth

This is based on the assumption of increased activity at Portsmouth Naval Base as a consequence of reduced activity or closure of one or more of the other UK Naval Bases. In this scenario all, or a significant part, of the surface fleet re-locates to Portsmouth over a four-year period from 2009 to 2013. The aim of this scenario is to analyse the ability and readiness of Portsmouth and the local USH economy to cope with the extra demands and pressures likely to be placed upon it. The scenario assumes the relocation of some or all of the surface fleet ships (and their crews) from other UK bases, the planned base porting of the new super carriers at Portsmouth and the relocation of some ancillary/administrative MoD functions to Portsmouth. The scenario also analyses the indirect impacts of growth upon local 'defence industry' firms and other firms in the sub-region partly, or indirectly, dependent upon the Naval Base.

The NBR brief also highlights the importance of addressing the issue of how the region would seek to redress the social, economic and other issues created by the closure or expansion of the Naval Base. This includes aspects such as the Regional Economic Strategy, Regional Spatial Strategy and the Regional Housing Strategy. It must also be recognised that any such analysis would need to consider the impact of change upon infrastructure, demand for services and the environment, all of which may be directly or indirectly impacted by the potential change scenarios.

[10] This is the likely adjustment period identified in the NBR brief.

2 The Regional Defence Cluster

Introduction

Before estimating the impact of the three key scenarios it is useful to examine the extent and nature of the region's defence cluster. A review of the Aerospace and Defence sector in the South East[11] states that "***the South East has a long history in the development of aviation and defence technology and is home to some of the most successful and innovative defence companies in the world***". It is estimated that between them these companies employ over 93,000 people and generate an output of over £5 billion throughout the South East. These figures highlight the significance of the sector to the region's economy and an important part of this is centred around Portsmouth Naval Base.

Figure 1 – Aerospace and Defence Companies in the South East

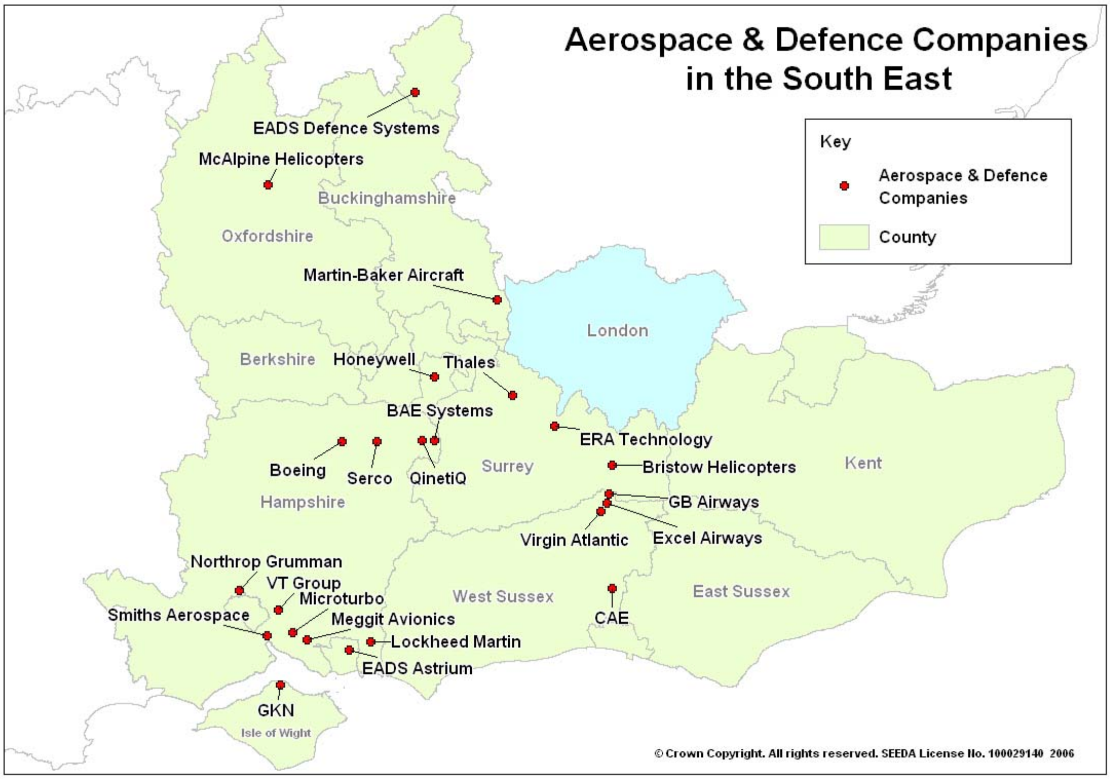
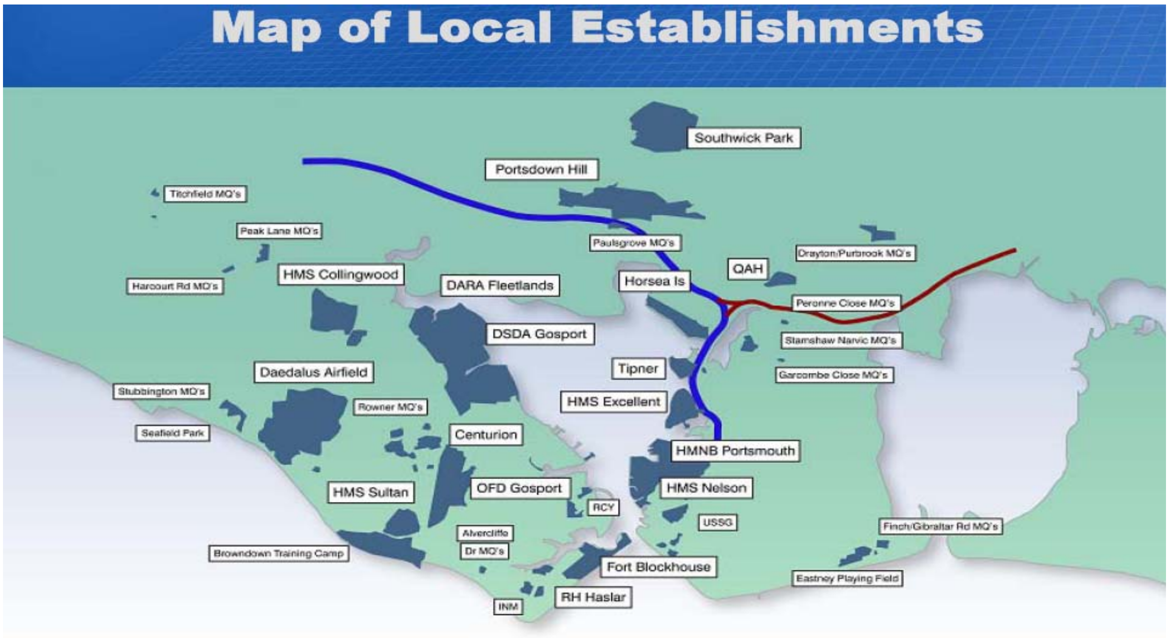


Figure 1 highlights the fact that there are a number of significant defence clusters in the South East, one of the most important of which is that along the south coast and in particular around Portsmouth, the traditional home of the Royal Navy. Figure 2 provides a summary of some of the most important defence establishments clustered around the sub-region of Urban South Hampshire and in particular around Portsmouth Harbour. At the heart of this extensive cluster is the Portsmouth Naval Base, which along with HMS Nelson and HMS Excellent is at the heart of the Royal Navy's long association with the city. The map also clearly shows that this cluster extends beyond just the confines of the harbour with the Navy's training establishments of HMS Sultan and HMS Collingwood located in Gosport and Fareham respectively. In addition there are many smaller establishments such as DARA Fleetlands, DSDA Gosport, Browndown Training Camp, RN Haslar located throughout the sub-region as Figure 2 clearly shows.

[11] Aerospace and Defence South East Overview, SEEDA, April 2006

Figure 2 – Map of Local Defence Establishments

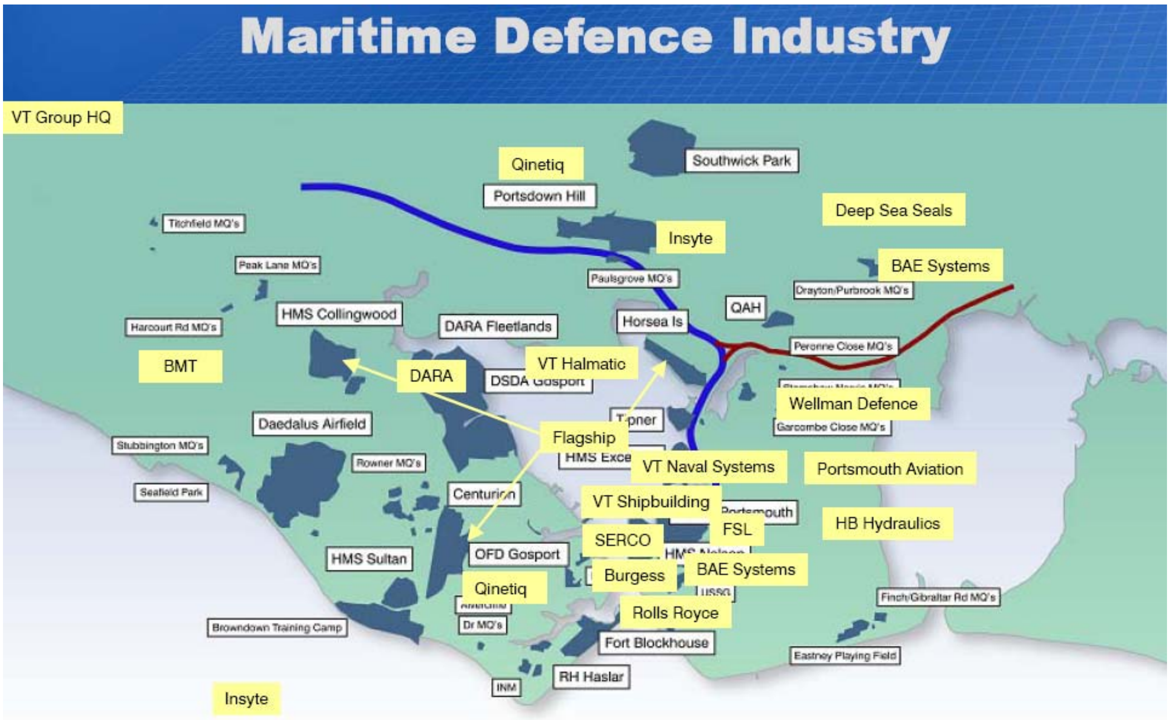


It is important to recognise that due to the Royal Navy's long association with the area these defence establishments are an integral part of the economy and community of the sub-region. Portsmouth and the surrounding area has for centuries been the 'home' of many servicemen, stationed either on Portsmouth based ships or at one of the area's many defence bases. These service personnel and their families are an important part of the local community and economy. Many of the defence establishments also provide services to the wider community, be it through the provision of health services at RN Haslar or special events and open days to which the public are invited.

The significance of the Royal Navy to the area can also be seen in its impact upon local tourism. Portsmouth was recognised for many years as 'The Flagship of Maritime England' and the Historic dockyard is one of the South major tourist attractions with more than 500,000 visitors in 2005. Special events such as the International Festival of the Sea and Trafalgar 200 also attracted many visitors to the area and re-enforced both national and international perceptions of Portsmouth as the home of the Royal Navy. A major part of this attraction is that PNB is a 'working' naval base as highlighted by the harbour tours which take visitors around to see the 'ships in port'.

In addition to the bases, MoD training establishments and other agencies located around the Portsmouth Naval Base, there is a large and flourishing maritime defence industry that has grown up around the base. As Figure 3 shows this cluster of defence firms as well as consisting of firms that work in the main for the MoD, also includes firms that work for other goverments and many that also work in the commercial marine sector. This synergy between work in the defence and commercial sectors is very important. The combination of defence and commercial contracts provides some protection from the cyclical nature of major shipbuilding and refitting projects. As a result, extensive supply chain clusters have evolved around major centres of ship construction, repair and support, and Portsmouth Naval Base has been a central factor in development of the world-class Solent marine cluster. The rationale for investment in these supply chains would be significantly reduced if the naval base market relocated. A region which hosts a naval base, but lacks significant relevant commercial activity would not represent an attractive investment location for many companies. Foreign-owned companies would inevitably re-appraise the focus of their engineering functions in favour of offshore marine cluster locations. This 'spiral of decline' could have major impacts on the area's defence and commercial capability.

Figure 3 – The Sub-Regional Maritime Defence Industry



Significant advantage is gained from the high concentration of defence and marine companies within Hampshire. A strong and relevant research capacity is also centred on this area, in terms of universities and commercial facilities. These features create a foundation for rapid innovation which is essential if the advanced technology capabilities demanded in the market place, as well as by MoD, are to be achieved. There exists substantial commonality between the skills and technology base supporting both the naval and commercial marine sectors. However, these 'soft' assets are fragile and experience indicates that even temporary drops in activity may result in an irreversible loss of expertise and capability.The high concentration of commercial marine and naval activity in the Solent area (supported as it is by a network of dedicated maritime training centres) has historically provided some resilience. This would be substantially reduced if a significant long-term loss of maritime activity was triggered by naval support relocation.

This analysis clearly shows that the defence sector and the defence and maritime industries shown in figures 1 to 3 are a major part of the sub-regional economy. These various activities are responsible for the employment of many people throughout the area and the injection of large amounts of income into the sub-region's economy. As any decision to close or minimise Portsmouth Naval Base would have profound implications for local employment and income it is important to be able to measure the likely extent of these impacts against a baseline and it is to the measurement of this baseline level of 'defence dependent' jobs and income that the report turns to next.

3 SCENARIO 1 – BASELINE (NO CHANGE)

3.1 Introduction

The baseline scenario measures the CURRENT economic and social impact of Portsmouth Naval Base upon the region and sub-region. As noted earlier, the region is defined as South Hampshire and the Isle of Wight and the sub-region is defined as 'Urban South Hampshire'. The impact of Portsmouth Naval Base extends far beyond the perimeter of the base itself due to factors such as the presence of co-located support organisations, defence contractors, employment of locally resident civilian staff and service personnel. However, the base is at the heart of the framework. Without it, other organisations and businesses may have little or no role to play within the region and sub-region.

This report adopts a cumulative approach to measuring the impact of the Naval Base, beginning with the direct impact of the base itself in terms of employment, income and output and then extending outwards to look at its indirect impacts in the wider sub-region.

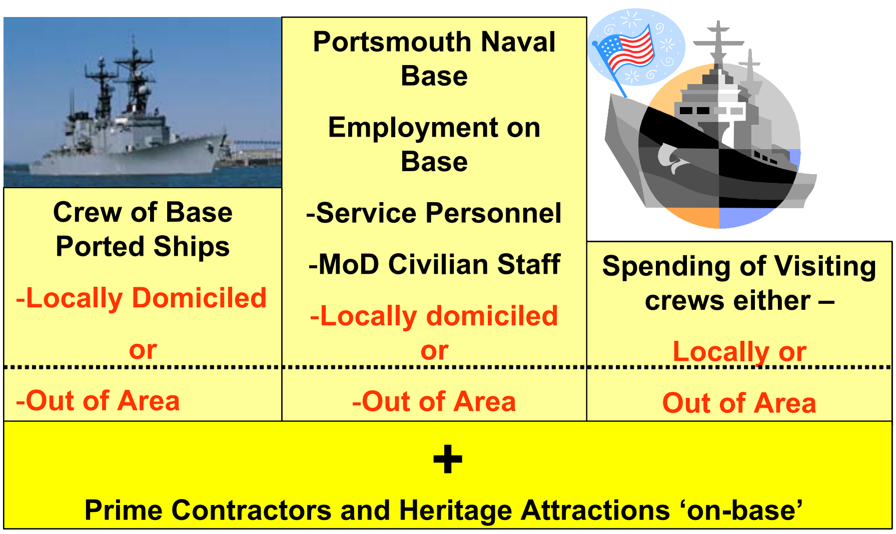
3.2 - Portsmouth Naval Base (PNB)

Figure 1 shows that PNB impacts upon the sub-region as a consequence of: :

- Employment of Civilian and Naval personnel on base
- Base porting of ships whose crew (and families) may live within the region/sub-region
- Purchase of goods and services from within the region/sub-region[12]
- Local expenditure of the crew of visiting ships, tourists, commuters and base ported crew whose normal residence is outside the area.

The number and value of each of these factors has been estimated using primary data where possible and secondary data or informed estimates in other cases.

Figure 4 Direct Impacts of Portsmouth Naval Base



[12] In the case of Portsmouth Naval Base the purchase of all goods, services and supplies is carried out on its behalf by Fleet Support Limited (FSL) and this is dealt with in the next section of this report.

The report begins by identifying the number of service and civilian personnel employed either on Portsmouth based ships or on the Naval Base itself. Table 1 shows that the Royal Navy and MoD is thus responsible for the direct employment of a total of 9,800 service and civilian staff on base[13]. Of this total, 8,000 (75%) are service personnel and the remaining 1,800 (18%) are civilian staff employed by the MoD. What is more important in terms of the socio-economic impact of these staff is where they live. The wages and salaries of personnel living within the region or sub-region will form part of the household income of the area, whereas the incomes of those living out of the area will leak out and be lost to the sub-region. The information in Table 1 has been disaggregated by local authority district to show where the majority of staff reside. This information shows that 55% of all on-base staff reside within the area of Urban South Hampshire. In fact, the effect is even more concentrated with 50% of all staff (5,000) living within the four districts of South East Hampshire and 35% within the immediate harbourside districts of Portsmouth and Gosport. Just over 4,200 of the directly employed staff live outside the Hampshire and Isle of Wight sub-region and the majority of these (4,000) are either the crew of 'Portsmouth ships' or HMNB service personnel whose domicile is elsewhere in the country.

Table 1 – Portsmouth Naval Base DIRECT Employment

Area of Residence of employees	Ships Crew	HMNB and Nelson Service	HMNB and Nelson Civilians	Total	% of Total
Portsmouth	685	551	703	1939	20%
Gosport	755	352	387	1494	15%
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Rest of S. Hants/IoW	66	35	67	168	2%
S.Hants/IoW Total	2382	1516	1661	5559	57%
Live 'Out of Area'	3298	792	125	4215	43%
Total Number of Jobs	5680	2308	1786	9774	100%

Sources: Captain of Port and Naval Manpower Information System.

The economic impact of direct Naval Base employment is determined by the value of wages and salaries earned that are retained within the sub-region. Table two shows the value of the annual NET[14] household income of those service and civilian staff ***whose registered domicile is within the sub-region***.

[13] For the purposes of this report, the Portsmouth Naval Base is defined as including HMS Nelson which is located within the confines of the Naval Base.
[14] Net Income is defined as gross income minus income tax and National Insuranace contributions.

Table 2 – Naval Base DIRECT NET Household Income (£m)

District	Ships Crew	HMNB and HMS Nelson Service	HMNB and HMS Nelson Civilians	Total
Portsmouth	12.7	14.1	12.2	**£38.9m**
Gosport	12.0	8.6	6.9	**£27.5m**
Fareham	10.2	8.5	4.3	**£23.0m**
Havant	3.2	3.1	4.3	**£10.5m**
Southampton	3.4	4.0	1.1	**£8.4m**
Eastleigh	0.6	0.3	0.4	**£1.3m**
USH Total	42.0	38.5	29.1	**£109.7m**
Rest of S. Hants/IoW	1.4	1.0	1.2	**£3.7m**
S.Hants/IoW Total	43.4	39.5	30.3	**£113.3m**
Local Spending of those Living 'Out of Area'	17.9	0.8	0.2	**£18.8m**
Total Income	**£61.3m**	**£40.4m**	**£30.5m**	**£132.1m**

Source: CLREA calculations based on data supplied by Captain of Port and, Naval Manpower Information Systems.

The table shows that just over £132m of net income was pumped into the sub-regional USH economy as a direct result of employment created by PNB. Even more crucially, the table shows that £100m of this income derives to the four harbour authorities of Portsmouth, Gosport, Havant and Fareham. Portsmouth by itself receives an estimated £39m of income as a direct result of PNB employment.

The penultimate row of Table 2 shows the value of 'Out of Area' income for both service and civilian personnel. These figures recognise that, although some PNB staff live outside of the area, they spend a proportion of their income within the local economy e.g. on shopping, food and drink, entertainment etc. This includes crew who are domicile outside the area but spend in the local economy when their ship is in port[15], these form the major element of this spending. In addition, there is commuter spend[16] by staff who work in the PNB but go home each night. The total value of this out of area income is just under £19m. This emphasises the fact that the bulk of the sub-regional income impact is the result of the area of domicile of personnel rather than any inflow of spending resulting from those living outside of the area.

[15] Ship's crew are assumed to spend at the same rate as visiting tourists excluding accommodation expenditure this equates to around £39.50 per day but only when their ship is in port at Portsmouth. In total this equates to £17.9m.

[16] Service and civilian staff whose home is situated outside the South Hampshire area can be expected to spend a small proportion of their income in the local area. According to the most recent Expenditure and Food Survey[16], this is likely to be spent in local shops (47%), garages (22%), pubs, cafés and restaurants (11%) and entertainment outlets (20%). For the purpose of the study we have assumed that those living outside South Hampshire spend an average of £5 per day in the local area[16]. Assuming that they work a 5 day week and a 46 week year[16], this gives an average spend of £1,150 per annum in the local economy. Our analysis indicates that the cumulative effect of this spending amounts to £1million.

In addition to those ships 'based' at Portsmouth, a large number of ships visit the base from foreign countries. Their crews will often be granted 'shore leave' when they are likely to spend money within the local economy. On this basis these crews are treated as though they are overseas tourists, as per definitions provided by the Travel Trends Survey 2004[17]. Hence, their average daily expenditure is treated in line with tourists from their home geographic area, minus the proportion of expenditure the average tourist spends on accommodation (31%). This gives estimated average daily spend figures for service personnel from North America of £53, for EU countries £38 and the Rest of the World[18] £39. Because it is likely that some service personnel will be required to stay onboard during their stay we have assumed 20% do not go ashore on any one day. Using these assumptions it is calculated that the value of expenditure by visiting ships' crews, is in the region of £3.7 million per year

3.3 Private Sector Firms on Base

Portsmouth Naval Base has a large number private sector firms located on the base within its perimeter. In addition to the three prime defence contractors i.e. Vosper Thornycroft (VT), Fleet Support Limited (FSL) and BAE Systems, there are a number of smaller contractors also located on site. These firms include Serco, Thales, Tighe, and Ably Access as well as many others. Many of these firms act as sub-contractors to one of the 'big three' and provide essential services such as painting, building maintenance and harbour tug services. For many of these smaller firms Naval Base sub-contracts may be essential in providing the 'critical mass' of demand that keep them afloat.

For the purposes of this report the three main contractors are treated separately from other defence sector firms within the sub-region. The rationale for this approach is that firstly in the event of the closure of the base these firms due to either, their particular support function, or the eventual sale of MoD estate could find it difficult, if not impossible, to remain on the base. Secondly, these firms are DIRECT first round recipients of defence demand from the Naval Base e.g. in the construction or refitting of warships. In contrast, most other firms are part of the defence supply chain and the income and employment they generate is picked up either the contractor estimates or within the multiplier analysis later in the report.

In terms of their impact upon the sub-regional economy the three companies create impacts in two main ways. Firstly, as with the Naval Base itself they employ staff, many of whom live within the sub-region. In addition to full and part-time staff employed, these firms also employ a large number of contract staff who work on specific projects and jobs from time to time. Although some of this employment may be intermittent and of varying lengths, it is an important source of employment within the local economy. Much of the work of the prime contractors is sub-contracted to local firms, a number of whom have their own premises within the Naval Base. One example of this is FSL's new contract for the repair and maintenance of the Isle of Wight catamarans, approximately 80% of the work of which is carried out by local sub-contactors. Secondly, the companies themselves also spend within the sub-region purchasing goods and services from local firms, some of whom are directly defence related and some not. Moreover, FSL is also responsible for the

[17] See Travel Trends 2004, ONS.
[18] Includes Australia, NZ, South Africa etc.

purchase of goods and services on behalf of PNB and the MoD. Base closure would thus impact directly upon this local economic expenditure.

In addition to the three private sector manufacturing and support firms, PNB also has a number of heritage attractions located on-site. Under the administration of Flagship Portsmouth, Portsmouth Historic Dockyard consists of major attractions centred on the three historic warships: HMS Victory, HMS Warrior and the Mary Rose. These are complemented by the Mary Rose and Royal Navy Museums. In 2005 the historic dockyard attracted around 513,000 visitors, making it the 4th largest paid visitor attraction in the South East Region[19]. In addition to ticket and other income generated by visitors to the site, the historic dockyard portion of the naval base also directly supports the employment of civilian staff, within tourism and other maritime related activities. Flagship Portsmouth also places orders with an estimated 300 supplier firms within the local area. In addition, day and stay visitors to the site spend money locally on items such as food, drink and shopping.

Employment by Private Sector Base Firms

Just as the MoD employs civilian personnel on base, so do the private sector firms located there. Table 3 shows the number of staff employed at PNB by the various private sector firms located there. In column one, the three defence firms are grouped together, while column two shows the number of contracted staff they employ[20]. Column three details the number of staff employed by Flagship Portsmouth. The table reveals that, in total, the firms located 'on base' employed a total of just over 3,800 staff. As with PNB civilian employment, the vast majority of these people live within a small radius of the Naval Base. The figures indicate that 93% of the people employed by the private firms on base live within the sub-region of Urban South Hampshire. The tight concentration of the area of residence of these employees is highlighted by the fact that seven out of ten of them live within the three authorities of Portsmouth, Gosport and Fareham. Indeed 41% of them reside within the city of Portsmouth.

Table 3 – Employment by Private Sector 'On Base' Firms

Area of Residence of employees	Defence firms	Sub and Day Contractors[1]	Heritage	Total Private	Total %
Portsmouth	949	473	134	1556	41%
Gosport	228	238	47	513	13%
Fareham	293	164	24	481	13%
Havant	190	108	40	337	9%
Southampton	560	43	0	603	16%
Eastleigh	57	10	0	67	2%
USH Total	2277	1036	245	3557	93%
				0	
Rest of S. Hants/IoW	78	28	0	105	3%
S.Hants/IoW Total	2354	1064	245	3663	96%
Live 'Out of Area'	124	48	0	172	4%
Total Number of Jobs	2478	1111	245	3834	100%

[19] Source: Visitor Attraction Trends 2005, Visit Britain, August 2006.

[20] These figures are shown as Full Time Equivalents (FTE's)

Employees living within the sub-region, earn wages that forms an important part of the sub-region's income. Table 4 shows the value of this net 'household' income, which is estimated at £65m. Again, the table demonstrates how this income accrues primarily to the local authorities within South East Hampshire. The only exception to this are some of the employees of the 'on-base' defence firms, many of whom work for VT. The firm was previously based in Southampton, where many staff still reside. The table also highlights the value of contractor employment to the local economy. Adding the value of this contractor income to that of the defence firms' own employees, it is estimated that the three firms are responsible for the injection of just under £63m of net household income into the sub-regional economy. In addition, one can also include expenditure by these firms on goods, services and supplies that are purchased locally, thereby providing a further injection into the local economy. As with household income, the expenditure of private sector firms into the local economy is important as it provides the income of the recipient firms and suppliers, who employ their own staff who then further purchase their own goods and services.

Table 4 – Sub-Regional NET Household Income generated by Private Sector 'On Base' Firms (£m)

District	Defence firms	Contractors[1]	Heritage	Total Private
Portsmouth	15.9	8.3	1.4	**£25.6m**
Gosport	4.0	4.2	0.5	**£8.7m**
Fareham	6.0	2.9	0.2	**£9.2m**
Havant	3.4	1.9	0.4	**£5.7m**
Southampton	10.3	0.8	0.0	**£11.0m**
Eastleigh	1.2	0.2	0.0	**£1.4m**
USH Total	40.8	18.3	2.5	**£61.6m**
Rest of S.Hants/IoW	1.9	0.5	0.0	**£2.4m**
S.Hants/IoW Total	42.7	18.8	2.5	**£64.0m**
Income from 'Out of Area' staff [21]	0.8	0.3	0.0	**£1.1m**
total	**£43.5m**	**£19.1m**	**£2.5m**	**£65.1m**

Table 5 shows that out of a total expenditure on goods and services of £120m, £48m is spent within South Hampshire and the Isle of Wight (41% of total spending). The remainder leaks out of the sub-region to elsewhere within the UK and sub-region.

[21] Out of area' income results from the daily expenditure of those who commute in form outside the sub-region (estimated at £5 per day

Table 5 - Expenditure Of Base Firms		
District	**Defence Firms**	**Heritage Firms**
Portsmouth	22.94	2.23
Gosport	0.35	0.03
Fareham	8.25	0.76
Havant	0.60	0.06
Southampton	8.26	0.73
Eastleigh	1.33	0.13
USH Total	41.74	3.93
Rest of S.Hants/IoW	6.05	0.17
S.Hants/IoW Total	47.79	4.10
Out of Area	71.86	0.12
Total Expenditure	119.65	4.22

Within the sub-region, Portsmouth is by far the largest recipient of this expenditure, receiving an injection of income of almost £23m into the economy (55% of all expenditure received within the sub-region). This highlights the localised nature of the impact of base activities. Adding together the wages and salaries paid by 'on base' firms to employees living within the sub-region and the expenditure on goods and services of these firms, a total of almost £110m is injected into the sub-regional economy by these prime contractors. Table 5 also shows the expenditure of defence heritage firms within the sub-region. Although on a smaller scale the table shows that the heritage firms on the base inject a further £4m into the sub-regional economy.

Tables 6a and 6b provide a summary of the DIRECT employment and income generated within the sub-region by the activities taking place within the confines of Portsmouth Naval Base. These activities are of course those most 'at risk' in the event of closure. That stated, it needs to be recognised that this does not necessarily mean that all of these activities would cease completely. Similarly, a decision to relocate activities from Devonport to Portsmouth might lead to an increase in the income and employment generated by 'on-base' activities. However, it would be incorrect to assume that all activity from Devonport would automatically transfer to Portsmouth, due to the need to rationalise staff and achieve efficiency gains.

The tables also serve to highlight where the decision to close or grow would have the most impact within the sub-region. In aggregate, 86% of sub-regional income and 88% of sub-regional employment accrues to the four local authorities of South East Hampshire: Portsmouth, Gosport, Fareham and Havant. This results in just under 8,000 DIRECT jobs and £188m of DIRECT income for these four authorities. For Portsmouth, where the greatest impact is felt this represents a total of 4,200 jobs and a £93m stream of income.

Table 6a – Baseline Scenario Summary Tables – Portsmouth Naval Base
Total employment -On-Base Activities

District/Region	Ships Crew	Portsmouth HMNB and HMS Nelson - SERVICE	Portsmouth HMNB and HMS Nelson - CIVILIANS	Defence Firms	Contractors	Heritage	Total 'On Base'
Portsmouth	685	551	703	949	473	134	**3496**
Gosport	755	352	387	228	238	47	**2007**
Fareham	549	331	221	293	164	24	**1581**
Havant	149	107	212	190	108	40	**806**
Southampton	146	128	56	560	43	0	**933**
Eastleigh	31	12	16	57	10	0	**125**
USH Total	2316	1481	1594	2277	1036	245	**8948**
Rest of S.Hants/IoW	66	35	67	78	28	0	**274**
S.Hants/IoW Total	2382	1516	1661	2354	1064	245	**9221**
Live 'Out of Area'	3298	792	125	124	48	0	**4387**
total	5680	2308	1786	2478	1111	245	**13608**

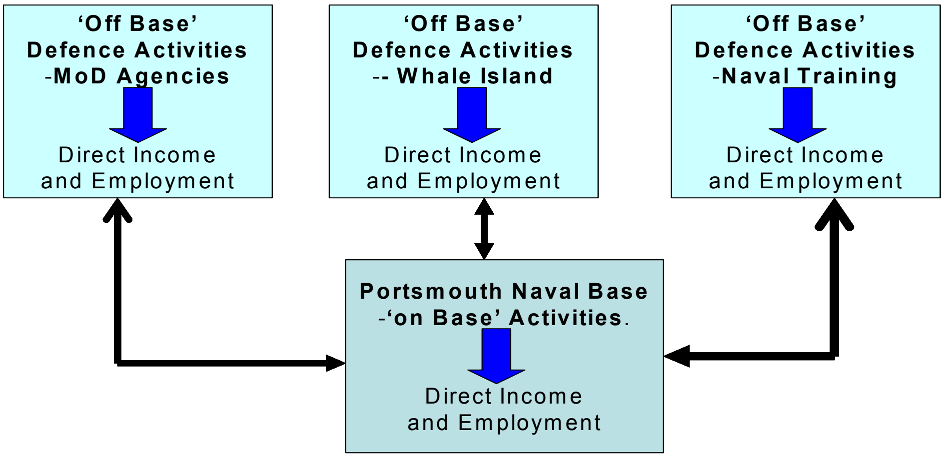
Table 6.b - Total Income: Net Household income and 'On-Base' Expenditure on Goods and Services

District/Region	Ships Crew	Portsmouth HMNB and HMS Nelson - SERVICE	Portsmouth HMNB and HMS Nelson - CIVILIANS	Defence Firms	Contractors	Heritage	Tourist' expenditure of crews of visiting Ships	Defence Firms Expenditure within the Local Economy	Heritage Firms Expenditure within the Local Economy	Total 'On Base' NET income[1]
Portsmouth	12.67	14.05	12.19	15.90	8.34	1.39	3.69	22.94	2.23	**93.4**
Gosport	12.03	8.56	6.86	4.00	4.19	0.49	0.00	0.35	0.03	**36.5**
Fareham	10.17	8.52	4.31	6.03	2.90	0.25	0.00	8.25	0.76	**41.2**
Havant	3.19	3.06	4.28	3.41	1.91	0.41	0.00	0.60	0.06	**16.9**
Southampton	3.35	3.97	1.10	10.28	0.76	0.00	0.00	8.26	0.73	**28.5**
Eastleigh	0.63	0.33	0.38	1.19	0.17	0.00	0.00	1.33	0.13	**4.2**
USH Total	42.04	38.50	29.12	40.81	18.27	2.54	3.69	41.74	3.93	**220.6**
Rest of S.Hants/IoW	0.00	1.04	1.21	1.87	0.49	0.00	0.00	6.05	0.17	**10.8**
S.Hants/IoW Total	43.45	39.54	30.34	42.68	18.76	2.54	3.69	47.79	4.10	**231.5**
Local Spending of 'Out of Area' Staff	17.85	0.82	0.15	0.81	0.30	0.00	0.00	0.00	0.12	**20.1**
total	61.30	40.36	30.49	43.49	19.06	2.54	3.69	47.79	4.22	**251.5**

3.4 Sub-Regional 'Off Base' Defence Activities

Having considered the impact of those activities located 'on-base', the next stage is to analyse the impact of those defence activities located 'off-base'. Historically, the extent of the Navy's role in Portsmouth spreads much further than the confines of just the Naval Base, with a number of associated establishments co-located within the sub-region. The 'off-base' support functions provided for the Navy are generally of three forms. First of these is HMS Excellent located at Whale Island in Portsmouth, which is now the headquarters for the Royal Navy. A large investment programme was undertaken in early 2000 to facilitate the move from Northwood to Whale Island. The aim of the move was to provide a single headquarters for the Royal Navy where the Commander in Chief of the Fleet (CinC Fleet) is located. The second of the major 'off-base' activities is the provision of 'on-shore' training facilities that conduct most of the Navy's specialist and basic training[22]. Finally, there are a number of MoD Agencies located just off the island of Portsea, which mainly conduct work for the Navy. In most cases, these are establishments that were part of the MoD civil service but have in more recent times been 'hived off' as agencies or private enterprises. As shown in Figure 5 below, these 'off base' activities also create DIRECT Income and employment in the same way that the Naval Base itself does. Although closure or expansion plans may not directly involve these organizations, the nature of the work they undertake and their close dependence upon demand from the Naval Base means that they would inevitably be affected by the MoD's final proposals.

Figure 5- Sub-Regional 'Off Base' Defence Activities



Specialist and post-basic training for many branches of the Royal Navy is provided by HMS Collingwood and HMS Sultan, both of which have grown considerably in the last decade as training provision has been rationalised and co-located. In addition to providing training for the Royal Navy these establishments also provide training for service personnel from foreign navies and the private sector. Other 'off base' activities are located n smaller units mainly in Fareham and Gosport and some units are co-located on the Collingwood and Sultan sites[23].

[22] These include HMS Collingwood, the Royal Navy's Maritime Warfare School, HMS Sultan and the Royal Navy's School of Marine and Aeronautical Engineering.

[23] This includes NMMIS at Centurion. For the purpose of this report the MoD service and civilian elements at Centurion are included in training and the outsourced services provided by EDS are classified as MoD Agency.

In recent years, a large part of former MoD activities have been contracted out to agencies and the private sector. Such agencies within the sub-region include Defence Munitions, DARA Fleetlands[24] and Centurion (all located in Gosport) and the research establishments run by Qinetiq and the Defence Science and Technology Laboratory[25] .

Table 7 – 'Off Base' Defence Employment

	Service Personnel				
Area of Residence of employees	Whale Island and Others	Naval Training	MoD Agencies	Total 'off base' service personnel	
Portsmouth	231	269	177	677	
Gosport	148	448	113	709	
Fareham	139	282	106	526	
Havant	45	67	34	146	
Southampton	54	51	41	146	
Eastleigh	5	20	4	29	
USH Total	621	1137	475	2233	
Rest of S. Hants/IoW	14	38	11	63	
S.Hants/IoW Total	635	1175	486	2296	
Live 'Out of Area'	333	2404	254	2992	
Total Number of Jobs	968	3579	741	5288	
	Civilian Staff				
Area of Residence of employees	**Whale Island and Others**	**Naval Training**	**MoD Agencies**	**Total 'off base' Civilian personnel**	**Total 'off base' personnel**
Portsmouth	259	60	1538	1857	2534
Gosport	143	275	1036	1453	2162
Fareham	81	187	680	949	1475
Havant	78	33	406	517	662
Southampton	20	21	150	191	337
Eastleigh	6	4	33	43	72
USH Total	587	580	3842	5010	7242
					0
Rest of S. Hants/IoW	25	7	115	147	210
S.Hants/IoW Total	612	587	3957	5156	7453
Live 'Out of Area'	46	20	204	270	3262
Total Number of Jobs	658	607	4161	5426	10714

Table 7 shows the number of people employed by the various 'off-base' defence activities identified. The various establishments employ a total of just over 10,700 staff, consisting

[24] DARA Fleetlands provides maintenance repair and overhaul for the helicopters of all three armed services.
[25] These were formerly the Defence Research Agency (DERA)

of 5,300 service personnel and 5,400 civilians. Of these, over 7,200 are resident within the sub-region, just under 3,300 living out of area. As with the previous analysis, the majority of those who live 'out of area' are service personnel, with only 270 civilian staff living outside the sub-region. These figures demonstrate that service personnel are more 'footloose' than civilians and are more likely to have their permanent address away from where they are stationed. The economic impact of the off base agencies upon the sub-regional economy is determined by a) the amount of household income earned by those employees who live within the sub-region and b) the value of expenditure of the agencies upon goods and services purchased from firms located within the sub-region.

Table 8 – 'Off-Base' Defence Net Household Income (£m)

	Service Personnel				
District	**Whale Island and Others**	**Naval Training**	**MoD Agencies**	**Total 'off base' service Net Income**	
Portsmouth	5.9	5.9	4.4	16.3	
Gosport	3.6	9.3	2.7	15.6	
Fareham	3.6	6.4	2.7	12.7	
Havant	1.3	1.6	1.0	3.8	
Southampton	1.7	1.1	1.2	4.1	
Eastleigh	0.1	0.5	0.1	0.7	
USH Total	16.1	24.9	12.1	53.2	
Rest of S.Hants/IoW	0.4	0.9	0.3	1.7	
S.Hants/IoW Total	16.6	25.9	12.4	54.9	
Out of Area	0.3	2.0	0.3	2.6	
Total Income	16.9	27.8	12.7	57.5	
	Civilian Staff				
District	**Whale Island and Others**	**Naval Training**	**MoD Agencies**	**Total 'off base' Civilian Net Income**	**Total 'off base' Net Household Income**
Portsmouth	4.5	1.0	27.1	32.6	48.9
Gosport	2.5	4.7	18.2	25.3	41.0
Fareham	1.6	3.3	12.4	17.3	30.0
Havant	1.6	0.6	7.5	9.7	13.5
Southampton	0.4	0.4	2.8	3.5	7.6
Eastleigh	0.1	0.1	0.7	0.9	1.6
USH Total	10.7	10.0	68.6	89.4	142.6
					0.0
Rest of S.Hants/IoW	0.4	0.1	2.0	2.6	4.3
S.Hants/IoW Total	11.2	10.1	70.6	92.0	146.9
Local Spending of those living out of Area	0.1	0.0	0.3	0.3	2.9
Total Income	11.2	10.2	70.9	92.3	149.8

Looking first at the amount of household income earned by employees, Table 8 shows that employees resident within South Hampshire and the Isle of Wight earned a total of £150m in net household income. This is composed of £58m earned by service personnel and £92m earned by civilian staff. The impact of this is very localised with £120m earned by the three districts of Portsmouth, Gosport and Fareham alone and £90m just within Portsmouth and Gosport. To these figures £2.9m can also be added, this is the estimated value of the spending within the sub-region of those employees who live outside the sub-region (both service and civilian personnel) but have some 'incidental' expenditure within the sub-region on items such as food and drink and shopping.

Turning next to the expenditure of these agencies upon goods, services and supplies, Table 9 provides a summary of the estimated expenditure[26] of these 'off-base' agencies within the sub-region. This table also shows the estimated value of local income derived from tourist visits to the Naval Base Historic Dockyard. The table shows that an estimated total of £44m was spent by these MoD training establishments and agencies on goods and services. Of this total, £18m was spent within South Hampshire and the Isle of Wight. The largest part of this expenditure was with firms in Portsmouth (£11.2m). The final column shows that an estimated £20m was generated locally from tourists visiting the Naval Base and its attractions. In total 512,000 people visited the Historic Dockyard in 2005. It is assumed that 45% of these visitors are day visitors and 40% staying visitors, the remainder are assumed to be 'locals'. In line with information in the Travel Trends Survey it is assumed that staying visitors spend an average of £55 per day and day visitors £38 per day. This expenditure is on items such as accommodation, shopping and food and drink bought throughout the local economy. The entrance fees paid are not counted here, in order to avoid 'double counting' as this will re-circulate into the economy through wages and salaries paid to staff and the purchase of goods and services.

Table 9 – Sub-Regional expenditure of MoD 'off base' Agencies (£m)

District	MoD training	MoD Agencies	Income from Defence Tourism	Total
Portsmouth	6.97	4.24	20.05	31.27
Gosport	0.08	0.06	0.00	0.15
Fareham	1.92	1.45	0.00	3.37
Havant	0.17	0.11	0.00	0.28
Southampton	1.42	1.38	0.00	2.80
Eastleigh	0.39	0.24	0.00	0.64
USH Total	10.97	7.49	20.05	38.51
				0.00
Rest of S.Hants/IoW	0.11	0.32	0.00	0.43
S.Hants/IoW Total	11.07	7.81	20.05	38.93
Out of Area	17.32	7.50	0.00	24.82
Total Expenditure	28.39	15.32	20.05	63.76

[26] Primary information was not available for the MoD Agencies or training establishments. Calculations of spend are based on pro rata distribution of supplies and services expenditure for each of the main organisations as published in their latest annual reports. For the MoD agencies, it is assumed that companies within the sub-region meet 39% of supplies and services consumed at local bases, as was the case with core prime contractors. In the case of the main training bases it is reasonable to assume that the proportion of supplies met from local sources is in line with that of FSL who are their main suppliers.

Tables 10a and 10b provide a summary of the employment and income generated by the 'off base' activities of the training agencies and MoD agencies co-located within the sub-region. Whilst a change in the status of the Naval Base would not directly impact upon these establishments, closure or growth would undoubtedly have indirect impacts as demand for training and services from the Royal Navy changed in line with its change in status.

The summary tables show that these off- base activities are currently responsible for:

- the DIRECT employment of 10,600 staff, 7,150 of whom live within Urban South Hampshire;
- the injection of £186m into the South Hampshire and Isle of Wight economy, over £180m of this into Urban South Hampshire;
- these impacts are very localised, with over 6,000 of the jobs in Urban south Hampshire concentrated into the three districts of Portsmouth, Gosport and Fareham;
- similarly, over £150m worth of income is injected into these three authority areas

Adding together the information in Summary Tables 6 and 10, it is possible to estimate the total DIRECT impact of naval-related activities both on and off the base. This shows that;

- together such activities are responsible for the employment of over 24,000 people, 16,600 of whom live within the area of South Hampshire and the Isle of Wight
- this employment is highly localised, with 16,100 of the jobs within Urban South Hampshire and, more importantly, 13,000 within just Portsmouth, Gosport and Fareham.
- similarly, adding together on and off-base activities shows that the Navy's presence is responsible for the injection of almost £430m of direct net income into the economy of South Hampshire and the Isle of Wight. Some £325m of this flowing into the three economies of Portsmouth, Gosport and Fareham.

The data serves to highlight the importance of these direct injections of income and employment into the local economy as a result of defence-related activities within the sub-region. However, only the DIRECT impacts have so far been included, i
t is therefore necessary to add the indirect impacts created by the multiplier effect. It is these impacts which are next considered.

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Table 10a – Baseline Scenario Summary Tables – Portsmouth Naval Base
Employment - Off-Base Activities

District/Region	Whale Island and Others - Service	Whale Island and Others - Civilian Staff	Service personnel Training	Civilian Staff Training	Service Personnel MoD Agencies	Civilian staff MoD Agencies	Total 'off base'
Portsmouth	231	259	269	59	177	1507	**2501**
Gosport	148	143	448	269	113	1014	**2135**
Fareham	139	81	282	183	106	666	**1457**
Havant	45	78	67	32	34	397	**653**
Southampton	54	20	51	21	41	147	**334**
Eastleigh	5	6	20	4	4	32	**71**
USH Total	621	587	1137	568	475	3764	**7152**
Rest of Hants/IoW	14	25	38	7	11	113	**208**
Hants/IoW Total	635	612	1175	575	486	3876	**7360**
Live 'Out of Area'	333	46	2404	20	254	200	**3257**
total	968	658	3579	595	741	4076	**10617**

10.b- Total Income: Household income and Expenditure on Goods and Services

Other MoD - Off Base (B), Whale Island, HMS Sultan, HMS Collingwood and 'other' MoD Agencies

District/Region	Whale Island and Others - Service	Whale Island and Others - Civilian Staff	Service personnel Training	Civilian Staff Training	Service Personnel MoD Agencies	Civilian staff MoD Agencies	Training + Agency Expenditure in local economy	Income from Defence Related Tourism	Total 'Off Base' NET Income
Portsmouth	5.89	4.49	5.95	1.03	4.42	27.12	11.22	20.05	**80.17**
Gosport	3.59	2.53	9.34	4.67	2.69	18.15	0.15	0.00	**41.12**
Fareham	3.58	1.59	6.41	3.31	2.68	12.40	3.37	0.00	**33.34**
Havant	1.28	1.58	1.60	0.57	0.96	7.52	0.28	0.00	**13.79**
Southampton	1.66	0.41	1.15	0.39	1.25	2.76	2.80	0.00	**10.41**
Eastleigh	0.14	0.14	0.50	0.08	0.10	0.65	0.64	0.00	**2.25**
USH Total	16.15	10.73	24.94	10.04	12.10	68.61	18.46	20.05	**181.07**
Rest of S.Hants/IoW	0.44	0.45	0.94	0.11	0.33	2.03	0.43	0.00	**4.72**
S.Hants/IoW Total	16.58	11.18	25.88	10.15	12.43	70.64	18.88	20.05	**185.79**
Local Spending of 'Out of Area' Staff	0.34	0.06	1.95	0.02	0.31	0.25	0.00	0.00	**2.94**
total	16.93	11.22	27.83	10.17	12.74	70.89	19.31	20.05	**188.73**

Note*[1] *- All household Incomes are shown as 'net income' after deduction of tax and NI contributions

Key = Wages and salaries paid to employees

Key = Expenditure on Goods and Services within the Local economy by defence firms and 'tourists'

3.5 Indirect Impact of Portsmouth Naval Base and 'off base' Defence Activities

Thus far, the report has concentrated on the direct employment effects of the Portsmouth Naval Base and 'off base' defence establishments within the sub-region. However, the total economic impact of the Naval Base and other defence establishments to the sub-regional economy must also take into account the indirect and induced effects likely to result from the employment and expenditures of the base and co-located establishments.

It is useful to clarify what is meant by the terms "indirect and induced effects". These are of two main types. Firstly the indirect industrial effect. Direct demands for products and services used by the defence sector will lead to "knock on" benefits for other local firms. These knock on, or multiplier, effects will continue as other firms in the defence supply chain also purchase goods and services from other firms within the sub-region. The overall size of this 'sub-regional multiplier effect' will depend upon the structure of the sub-regional economy and its ability to meet and supply the needs of local firms. The larger and more diversified is the sub-regional economy, the more likely it is that supply chain requirements will be available locally thus increasing the size of the multiplier. In contrast, where industry sectors are either absent or under-represented in the sub-region, supplies and services will have to be imported from outside the area thus increasing "leakages" out of the area, which will, in turn, reduce the value of any multiplier effect. As seen in section two of the report the defence supply chain within the sub-region is highly developed, increasing the extet of inter-industry linkages and thus the value of the multiplier effect.

The second type of multiplier effect is the induced effect, this is associated with household (or consumer) spending. The Naval Base and associated 'off-base' activities are large direct employers. As already seen a large percentage of these employees live within the sub-region. This means that they provide a significant boost to local household income. The derived household income, will, in turn, be spent by these households within the local economy on various goods and services. This spending will then be further re-circulated as local people are employed in shops and businesses and in the firms that supply them with goods and services. Once again, a multiplier effect is created; the value of which will be dependent upon the ability of local firms to supply the needs of the sub-regions resident population.

Input-output methodology

Having recognised the importance of measuring these indirect and induced effects, the next step is to decide exactly how this can be achieved. The most accurate method of tracing the various multiplier effects through an economy is by means of input-output model[27]. Such a model was specifically designed by the centre for Local and Regional Economic Analysis in order to provide an accurate simulation of the structure and interactions within the sub-regional economy[28]. Using the latest Annual Business Inquiry data, updated for productivity effects and primary local knowledge, it is possible to weight national input-output tables so that they reflect the current industry structure of the sub-regional economy. Using this methodology it is possible to estimate the value of the additional output and employment created as a result of the multiplier process. It is

[27] Input-output analysis may be used either, to analyse the effect of macroeconomic changes to the local economy, or to examine the contribution of particular industry sectors or establishments to the local economy. The main aim of this report is of course to pursue this latter strategy.
[28] Details of the model used may be obtained by contacting the authors of this study.

calculated that the values of the **Portsmouth Naval Employment Multiplier = 1.44,** while the **Portsmouth Naval Output Multiplier = 1.55.**

The employment multiplier value of 1.44 means that for every 100 jobs that are DIRECTLY created by the presence of the Royal Navy within the sub-region an additional 44 INDIRECT jobs are also created. These jobs result from the spending of the Navy and defence prime contractors within the local economy and the spending of those households who are dependent upon the navy for their employment and income.

The income multiplier value of 1.55 implies that for every £100 worth of income DIRECTLY resulting from the presence of the Royal Navy within the sub-region an additional £55 worth of INDIRECT income is also created. This additional income derives from the payments to firms in the defence supply chain and the subsequent wages and salaries paid to their employees.

These multiplier values are important as they provide an estimate of the ‘knock-on’ effects that the presence of the Royal Navy within the sub-region has on the wider local economy. Businesses such as retail, leisure and entertainment, that have no direct links to the defence sector, are in reality inextricably linked to it. The wages paid to locally resident service personnel and the salaries paid to the civilian employees of businesses and agencies located on or off base flow into the local economy through the purchase of goods and services sustaining employment in the recipient businesses.

Table 11 provides a summary of the direct and indirect employment effects of the presence of the Royal Navy at Portsmouth Naval Base and other ‘off base’ activities.

Table 11 – Indirect Employment Effects of Portsmouth Naval Base – Baseline Scenario

Area of Residence of employees	Total 'On Base' Employment	Total 'off base' Employment	Indirect Employment	Total Defence Dependent Employment
Portsmouth	3496	2501	3975	**9972**
Gosport	2007	2135	2265	**6408**
Fareham	1581	1457	1589	**4628**
Havant	806	653	1029	**2488**
Southampton	933	334	824	**2090**
Eastleigh	125	71	121	**318**
USH Total	8948	7152	9804	**25904**
Rest of S. Hants/IoW	274	208	308	**789**
S.Hants/IoW Total	9221	7360	10112	**26693**
Live ‘Out of Area’	4387	3257	547	**8191**
Total Number of Jobs	13608	10617	10659	**34884**

Table 11 shows that in addition to the 13,600 direct jobs created by the 'on-base' activities at PNB and the 10,600 'off-base' direct jobs, additional 10,700 indirect jobs are also created. These indirect jobs support employment in many industries including those that supply prime contractors and those that meet the demands of local naval and civilian households. Taking these indirect effects into account it is therefore estimated that a total of 35,000 jobs within Urban South Hampshire are directly or indirectly dependent upon the presence of the Royal Navy at Portsmouth Naval Base. Even more importantly, the breakdown shows how geographically concentrated these jobs are. Almost 21,000 of the employees in these jobs live within the three districts of Portsmouth, Gosport and Fareham and 16,000 within just Portsmouth and Gosport. It is thus clear that any decision to close or minimise Portsmouth Naval Base would have major implications for these defence dependent authorities.

Table 12 provides a summary of the direct and indirect income effects of the presence of the Royal Navy at Portsmouth Naval Base and other associated 'off base' activities

Table 12 – Indirect Income Effects of Portsmouth Naval Base – Baseline Scenario (£m)

District	Total 'On Base' Net Income	Total 'off base' Income	Indirect Income	Total Defence Dependent Income
Portsmouth	**93.4**	80.2	95.5	**£269m**
Gosport	**36.5**	41.1	42.7	**£120m**
Fareham	**41.2**	33.3	41.0	**£116m**
Havant	**16.9**	13.8	16.9	**£48m**
Southampton	**28.5**	10.4	21.4	**£60m**
Eastleigh	**4.2**	2.2	3.5	**£10m**
USH Total	**217.0**	181.1	218.9	**£617**
Rest of S.Hants/IoW	**10.8**	4.7	8.6	**£24m**
S.Hants/IoW Total	**227.8**	185.8	227.5	**£641m**
Live 'Out of Area'	**20.1**	2.9	12.6	**£36m**
Total Income	**£248m**	**£189m**	**£240m**	**£677m**

Table 12 shows that In addition to the total of £433m of DIRECT income generated by 'on-base' and 'off-base' naval activities a further £240m worth of indirect impacts are also generated. This means that, in total, the sub-regional economy is dependent upon the presence of the Royal Navy and its associated activities to the tune of almost £680m. As with employment the great majority of this is concentrated within the authorities of Portsmouth, Gosport and Fareham, between them these three authorities alone receive just over £500m in income streams as a result of the Royal Navy's presence. Although in a closure scenario not all of this income would be lost to the local economy, the loss of a substantial part of this would have serious implications for the sub-region.

A complete set of BASELINE summary tables follows showing all DIRECT and INDIRECT on and off base employment and Income generated by the Naval Base and its associated activities.

Summary Table One - Baseline Scenario, Employment

	On Base (A), Portsmouth HMNB, Defence Firms, Contractors and Heritage attractions							Off Base	
District/Region	Ships Crew	Portsmouth HMNB and HMS Nelson - SERVICE	Portsmouth HMNB and HMS Nelson - CIVILIANS	Defence Firms	Contractors	Heritage	Total 'On Base'	Whale Island and Others - Service	Whale Island and Others - Civilian Staff
Portsmouth	685	551	703	949	473	134	**3496**	231	259
Gosport	755	352	387	228	238	47	**2007**	148	143
Fareham	549	331	221	293	164	24	**1581**	139	81
Havant	149	107	212	190	108	40	**806**	45	78
Southampton	146	128	56	560	43	0	**933**	54	20
Eastleigh	31	12	16	57	10	0	**125**	5	6
USH Total	2316	1481	1594	2277	1036	245	**8948**	621	587
Rest of S.Hants/IoW	66	35	67	78	28	0	**274**	14	25
S.Hants/IoW Total	2382	1516	1661	2354	1064	245	**9221**	635	612
Live 'Out of Area'	3298	792	125	124	48	0	**4387**	333	46
total	5680	2308	1786	2478	1111	245	**13608**	968	658

	Other MoD - Off Base (B) Employment					(Multiplier C)	(Total A+B+C)		
District/Region	Service personnel Training	Civilian Staff Training	Service Personnel MoD Agencies	Civilian staff MoD Agencies	Total 'off base'	Indirect Employment (all civilian jobs)	Total Defence Dependent Employment	Number of Service Jobs	Number of Civilian Jobs
Portsmouth	269	59	177	1507	**2501**	**3975**	**9972**	**1913**	**8059**
Gosport	448	269	113	1014	**2135**	**2265**	**6408**	**1815**	**4592**
Fareham	282	183	106	666	**1457**	**1589**	**4628**	**1406**	**3222**
Havant	67	32	34	397	**653**	**1029**	**2488**	**402**	**2086**
Southampton	51	21	41	147	**334**	**824**	**2090**	**420**	**1670**
Eastleigh	20	4	4	32	**71**	**121**	**318**	**72**	**246**
USH Total	1137	568	475	3764	**7152**	**9804**	**25904**	**6030**	**19874**
					0			**0**	**0**
Rest of Hants/IoW	38	7	11	113	**208**	**308**	**789**	**164**	**625**
Hants/IoW Total	1175	575	486	3876	**7360**	**10112**	**26693**	**6194**	**20499**
Live 'Out of Area'	2404	20	254	200	**3257**	**547**	**8191**	**7082**	**1110**
total	3579	595	741	4076	**10617**	**10659**	**34884**	**13276**	**21608**

Summary Table Two - Baseline Scenario, Local Income[1] (£m)

On Base (A), Portsmouth HMNB, Defence Firms, Contractors and Heritage attractions

District/Region	Ships Crew	Portsmouth HMNB and HMS Nelson - SERVICE	Portsmouth HMNB and HMS Nelson - CIVILIANS	Defence Firms	Contractors	Heritage	Tourist' expenditure of crews of visiting Ships	Defence Firms Expenditure within the Local Economy	Heritage Firms Expenditure within the Local Economy	Total 'On Base' NET income[1]
Portsmouth	12.67	14.05	12.19	15.90	8.34	1.39	3.69	22.94	2.23	**93.4**
Gosport	12.03	8.56	6.86	4.00	4.19	0.49	0.00	0.35	0.03	**36.5**
Fareham	10.17	8.52	4.31	6.03	2.90	0.25	0.00	8.25	0.76	**41.2**
Havant	3.19	3.06	4.28	3.41	1.91	0.41	0.00	0.60	0.06	**16.9**
Southampton	3.35	3.97	1.10	10.28	0.76	0.00	0.00	8.26	0.73	**28.5**
Eastleigh	0.63	0.33	0.38	1.19	0.17	0.00	0.00	1.33	0.13	**4.2**
USH Total	42.04	38.50	29.12	40.81	18.27	2.54	3.69	41.74	3.93	**220.6**
Rest of S.Hants/IoW	0.00	1.04	1.21	1.87	0.49	0.00	0.00	6.05	0.17	**10.8**
S.Hants/IoW Total	43.45	39.54	30.34	42.68	18.76	2.54	3.69	47.79	4.10	**231.5**
Local Spending of 'Out of Area' Staff	17.85	0.82	0.15	0.81	0.30	0.00	0.00	0.00	0.12	**20.1**
total	61.30	40.36	30.49	43.49	19.06	2.54	3.69	47.79	4.22	**251.5**

	Other MoD - Off Base (B), Whale Island, HMS Sultan, HMS Collingwood and 'other' MoD Agencies									Multiplier (C)	Totals (A+B+C)
District/Region	**Whale Island and Others - Service**	**Whale Island and Others - Civilian Staff**	**Service personnel Training**	**Civilian Staff Training**	**Service Personnel MoD Agencies**	**Civilian staff MoD Agencies**	**Training + Agency Expenditure in local economy**	**Income from Defence Related Tourism**	**Total 'Off Base' NET Income**	**Indirect Income**	**TOTAL Defence Dependent Income**
Portsmouth	5.89	4.49	5.95	1.03	4.42	27.12	11.22	20.05	**80.17**	95.5	**269.1**
Gosport	3.59	2.53	9.34	4.67	2.69	18.15	0.15	0.00	**41.12**	42.7	**120.3**
Fareham	3.58	1.59	6.41	3.31	2.68	12.40	3.37	0.00	**33.34**	41.0	**115.5**
Havant	1.28	1.58	1.60	0.57	0.96	7.52	0.28	0.00	**13.79**	16.9	**47.6**
Southampton	1.66	0.41	1.15	0.39	1.25	2.76	2.80	0.00	**10.41**	21.4	**60.2**
Eastleigh	0.14	0.14	0.50	0.08	0.10	0.65	0.64	0.00	**2.25**	3.5	**9.9**
USH Total	16.15	10.73	24.94	10.04	12.10	68.61	18.46	20.05	**181.07**	220.9	**622.7**
Rest of S.Hants/IoW	0.44	0.45	0.94	0.11	0.33	2.03	0.43	0.00	**4.72**	8.6	**24.1**
S.Hants/IoW Total	16.58	11.18	25.88	10.15	12.43	70.64	18.88	20.05	**185.79**	229.5	**646.8**
Local Spending of 'Out of Area' Staff	0.34	0.06	1.95	0.02	0.31	0.25	0.00	0.00	**2.94**	12.6	**35.6**
total	16.93	11.22	27.83	10.17	12.74	70.89	19.31	20.05	**188.73**	242.1	**682.4**

Note[1] - All household Incomes are shown as 'net income' after deduction of tax and NI contributions

Key = Wages and salaries paid to employees

Key = Expenditure on Goods and Services within the Local economy by defence firms and 'tourists'

3.6 Impact on the Local Labour Market

The next section of the report takes a brief look at the local labour market of Urban South Hampshire. This labour market is the context within which the Naval Base operates creating employment opportunities and impacting upon levels of economic activity. The table summarises a number of key labour and population statistics for Urban South Hampshire and each of the districts within the sub-region. Defintions and explanations of each the datasets is provided in Appendix 1.

The table shows that:

- Out of a total population of 830,000 people within the six districts of Urban South Hampshire, 524,000 are of working age and 431,000 are 'economically active'
- This means that some 105,000 people within USH are economically inactive, 76,000 by choice, leaving just over 28,000 wanting a job. There are also just under 20,000 people unemployed within the sub-region;
- The 2001 Census indicates that there was over 10,000 service personnel resident within the area, but this does not include those 'living on ship'
- Adding together service personnel, those employed and the self-employed there are an estimated 420,000 people who are 'employees in employment' throughout Urban South Hampshire;
- Relating the number of residents of the sub-region who are in defence-dependent jobs to the number of employees in employment it is possible to estimate the percentage of total employment that is 'defence dependent'
- The final column of the table shows that an estimated 6.2% of 'employed' residents of the sub-region are in jobs that are directly or indirectly related to the activities of the Naval Base;
- The level of defence dependency varies throughout the sub-region from less than 1% in Eastleigh to 10% in Portsmouth and 15% in Gosport. This statistic means that 15% of people who live in Gosport owe their living to the Naval Base and its associated activities.

The 'total jobs by firms' figure shows the number of jobs within the sub-region (i.e. where the employers are located rather than where the employees reside). **This shows that there are a total of 444,000 jobs or posts (including jobs in the defence sector) within the local area. By relating this figure to the estimated total number of defence dependent jobs (34,884) it is calculated that 7.9% of all jobs within USH are directly or indirectly dependent upon the activities of the Naval Base and the presence of the Royal Navy.** Although it is not possible to be totally accurate about the number of these jobs located within Portsmouth (it is not possible to identify the exact location of indirect jobs) it is clear that the proportion of jobs within the City that are dependent upon the defence sector is in excess of this figure.

From the baseline tables it is clear that all of the 13,600 'on-base' jobs are posts that are located in Portsmouth (this includes the crew of Portsmouth based ships). With regard to the 'off-base' jobs, those located on Whale Island are all in Portsmouth, those at HMS Sultan are located in Gosport and those at HMS Collingwood in Fareham. Assuming that 40% of MoD agency and indirect jobs are located within Portsmouth this would add an extra 7,100 to the Portsmouth job total giving a total of 21,400 defence dependent posts within the city. This figure is equivalent to 17% of all jobs within the city and indicates that around 1 in 6 of all employment posts within Portsmouth are directly or indirectly dependent upon the presence and activities of the Naval Base within the city.

Labour Market Summary Table - Baseline Scenario, Sub-Regional Labour Force and Employment

District/Region	Population	Working Age Population	Economically Active	Economically Inactive	Wanting a job	Not Wanting a job	unemployed
Portsmouth	189,600	124,300	101,700	23,800	7,300	16,500	5,800
Gosport	77,300	47,400	40,600	8,000	2,000	6,000	1,100
Fareham	108,500	64,700	58,800	9,300	2,600	6,800	1,900
Havant	115,300	66,800	59,000	11,100	3,100	8,000	2,900
Southampton	222,000	148,900	108,700	36,200	9,300	26,900	6,500
Eastleigh	116,600	72,400	62,000	16,400	4,100	12,200	1,600
USH Total	**829,300**	**524,500**	**430,800**	**104,800**	**28,400**	**76,400**	**19,800**
Rest of S.Hants/IoW	647,200	380,600	328,200	67,600	19,299	48,400	8,900
S.Hants/IoW Total	**1,476,500**	**905,100**	**759,000**	**172,400**	**47,699**	**124,800**	**28,700**

Source: Annual Population Survey - via NOMIS area profiles

District/Region	ALL Service personnel, Census data 2001 (includes those living on bases, but not ships)	Employees	Self Employed	Employees in Employment (includes service personnel)	Total jobs by firms located in City/ District (includes service personnel)	Defence Dependent Jobs	% all employment - Defence dependent
	(1)	**(2)**	(3)	**(4) = 1+2+3**	(5)	**(6)**	**(7) = 6/4**
Portsmouth	3,318	85,100	10,200	**98,618**	125,000	9,972	**10.1%**
Gosport	3,398	35,000	4,500	**42,898**	25,000	6,408	**14.9%**
Fareham	2,262	50,000	6,200	**58,462**	54,000	4,628	**7.9%**
Havant	634	47,000	8,500	**56,134**	46,000	2,488	**4.4%**
Southampton	253	92,100	10,000	**102,353**	130,000	2,090	**2.0%**
Eastleigh	222	53,000	7,300	**60,522**	64,000	318	**0.5%**
USH Total	**10,087**	**362,200**	**46,700**	**418,987**	**444,000**	**25,904**	**6.2%**
Rest of S.Hants/IoW	4,434	267,700	49,700	**- 321,834**	323,000	789	**0.2%**
S.Hants/IoW Total	**14,521**	**629,900**	**96,400**	**740,821**	**767,000**	**26,693**	**3.6%**

Sources: 2001 Census; Annual Population Survey - via NOMIS area profiles; CLREA calculations

4 SCENARIO 2 – BASE MINIMISATION

4.1 Assumptions and implications of Minimisation

In the event of a decision to minimise Portsmouth Naval Base, it is likely that the base would be gradually rundown over a period of four years, from 2009 to 2013. The most likely scenario is that part of the estate would be 'shrink wrapped' and the majority of the land released would be sold for development. What is not clear however, is how far minimisation would impact on co-located activities such as fleet management, logistics supply and training. In the event of minimisation it is assumed that there would be that there would be a removal of all Portsmouth ships (and their crews) to Devonport, together with reduced employment of service and civilian personnel (both on and off-base). It is of course impossible to foresee exactly what the total impact of minimisation would be, it is therefore necessary to make a number of assumptions regarding the potential impacts of this scenario. In line with the previous section the assumptions are examined cumulatively starting with the impacts 'on-base' and then the impacts 'off-base'.

The structure of the analysis adopted in this report means that although a set of assumptions follows these may be altered as new information is provided. Alternatively the analysis allows for the impact of alternative assumptions/scenarios to be analysed.

4.2 Impacts 'On-Base'

a) Portsmouth-based ships

Were HMNB Portsmouth to be minimised, all of the warships currently based there, together with their crews, would be relocated to Devonport. Were this scenario to pertain, it is assumed that 90% of the ships crew and their families, who are now domicile within the sub-region, would eventually relocate to the Plymouth area. It is also reasonable to predict that a small residual would remain in South Hampshire, due to a combination of factors including preference, children's schooling and family ties. *This scenario is compared to the baseline which may change by 2009 when the changes start to take effect.*

b) PNB 'on-shore' service personnel

If it was decided to minimise Portsmouth Naval Base it is assumed that the base would be gradually run-down with the majority of naval shore functions and personnel re-located to Devonport and elsewhere within the UK. It is further assumed that the 'mothballing' of PNB would require only a small residual of naval personnel to remain in order to carry out essential maintenance and security functions. Finally, one could expect that perhaps 10% of current personnel would be retained at Portsmouth, while some 10% of those who relocate would choose to remain domicile within the sub-region.

c) PNB MoD Civilian Employees

In the event of a decision to minimise HMNB Portsmouth, the majority of civilian staff currently employed by the MoD would no longer be required at the base. In the light of previous closures of military and civilian establishments in the UK, it seems appropriate to assume the following:

- a residual 10% of staff would be retained to manage and oversee the mothballed estate;

- approximately 30% of current staff (key workers) would be relocated to Devonport as part of its extended role;
- perhaps 20% of current staff would choose to take early retirement/voluntary redundancy and remain within the sub-region without seeking further employment;
- the remaining 40% of civilian staff would be made redundant and would thus be ‘looking for work’ either locally or moving out of the area.

d) Defence Prime Contractors

The impact upon prime contractors of HMNB Portsmouth is likely to vary, depending upon the role that they play in relation to the Naval Base. The following assumptions for each of the three main contractors are based upon the authors estimates and discussions within the review team.

di) VT LTD

VT’s role within the Naval Base is as a shipbuilder and ship repairer. The statement issued by VT in the wake of the review announcement states ‘*We do not anticipate any effect on our shipbuilding business in Portsmouth although the stated desire of the UK MoD to see consolidation in the UK shipbuilding industry will affect that business and also our related Marine Products businesses*’. VT has made large investments in its plant at Portsmouth and as the statement suggests it is unlikely that the decision to close the base would have any immediate effect on the company’s employment, providing it has security of tenure. It is therefore assumed that VT’s employment remains at its current level. That stated however, the company’s future employment is likely to be greatly influenced by the MoD’s decision on the allocation of contracts for the construction of the two new super carriers and other new-build contracts. If part of this work is to be carried out in Portsmouth by VT its employment may increase in the future. Information provided indicates that in this event the most likely scenario is that work on the CVF’s would lead to a possible doubling of VT’s workforce in the two year period from 2008 to 2009. However, at the end of this period employment would return to the current baseline level.

dii) Fleet Support Limited (FSL)

FSL’s role in the dockyard is to provide support to the surface fleet. In the absence of warships, FSL is likely to have a very limited role in a rundown dockyard. A statement issued at the time of the NBR stated ‘*Depending on the outcome of the review, there could be a considerable effect on the nature of FSL’s future business*’. In line with this, it is assumed that 10% of FSL’s current emplyees may remain as a skeleton staff. In line with the MoD’s own assumptions it is assumed that “*there will be no direct transfers of contractor staff between DML and FSL as they recruit independently of each other*”. With regard to the remaining 90%, it is further assumed that 20% of staff will take early retirement/ voluntary redundancy and remain within the sub-region but not look for further work. Regrettably, this means that in the region of 70% of staff might be made redundant. They would thus be either ‘looking for work’ locally or move out of the area.

diii) BAE Systems

The role of BAE Systems within Portsmouth Naval Base is that of a specialist supplier for modifications to existing vessels and advice/ product development for new build. It also plays a part in the refurbishment and disposal of redundant warships. Were the Naval Base made redundant it is assumed that there will be little future need for these services. Given this scenario, it is assumed that BAE would relocate out of the Naval Base but retain approximately 50% of it's current staff elsewhere within the sub-region. Given the timescales involved it is reasonable to assume that roughly 20% of employees would retire or accept voluntary redundancy: the remaining 30% becoming unemployed and thus 'looking for work'.

e) Defence Heritage Attractions

The impact of the minimisation of the Naval Base upon the heritage attractions is arguably more problematic. At first sight there seems little reason why this should be affected. However, part of the appeal of the historic attractions is their setting within a 'working dockyard'. If the Naval Base were to be de-commissioned, major events such as the International Festival of the Sea (IFOS) would be unlikely to take place in Portsmouth. Moreover, short break holidays in Portsmouth and tours of Portsmouth would lose much of their attraction without the presence of 'working warships'. Consequently, it is assumed that minimisation of the Naval Base would lead to a 25% reduction in the demand and employment generated by the heritage attractions.

4.3 Impacts 'Off-Base'

In the short run, HMNB Portsmouth minimisation would probably not impact DIRECTLY upon those other RN and MoD Training establishments and agencies located 'off-base' within the sub-region. However, as previously noted, these establishments are located in the sub-region because of the requirements of the Naval Base. Recreating significant assets such as munitions storage and advanced training facilities (i.e. HMS Collingwood) at Devonport or another location would take time. Although minimisation of the Naval Base would be unlikely to lead to the demise of these establishments, there would almost inevitably be some reduction in the demand for their services.

a) Whale Island

Whale Island is the Royal Navy's Headquarters where the offices of Commander in Chief of the Fleet are located. The operations on Whale island are technically outside the scope of the NBR, however, it is logical to assume that a move to Devonport will have some knock-on effect on Whale Island. It is assumed that the number of service and civilian staff employed on Whale Island will decrease by 20% as the surface fleet moves to Devonport and its TOTAL size continues to decline.

b) MoD Training Establishments

If HMNB Portsmouth were to be minimised, there would be implications for the present geographical distribution of Naval Training establishments. Recent announcements have stated that training currently carried out at HMS Sultan is to be re-located to St Athan in South Wales by 2017. Although this is technically outside on the NBR review it is assumed that all of these jobs would eventually be lost from HMS Sultan. Although there are currently no plans to close or relocate HMS Collingwood, it is assumed that the closure of Portsmouth Naval Base would lead to a slimming down of posts at Collingwood as the total size of the surface fleet continues to fall. It is therefore assumed that 20% of jobs at HMS Collingwood would be lost with most of the reduction in civilian numbers reflected in either early retirement or voluntary redundancy, with no addition to those unemployed.

c) MoD Agencies

In the event of the minimisation of Portsmouth Naval Base, it is likely that, in the short run, there would only be a small reduction in the employment of MoD Agencies. These provide important services which would be difficult and costly to relocate at short notice. In the longer term, transfer to Devonport would be the logical course of action in order to minimise transport and other costs. Hence, in the short term, a contraction of 15% in the numbers employed is assumed as the size of the surface fleet is reduced. In the longer-term, employment would further reduce as services provided locally relocate.

4.4 Potential Impacts of Closure Scenario

The tables that follow provide a summary of the estimated impacts of the minimisation of Portsmouth Naval Base upon employment and income within the immediate sub-region. The main impacts identified are as follows:

Employment

- The minimisation of Portsmouth Naval Base could lead to a total potential job loss in excess of 21,600 jobs (direct and indirect jobs). This would include:
  - ❖ 11,300 jobs ‘on base’ (7,700 service jobs and 2,600 civilian jobs);
  - ❖ 3,700 jobs ‘off base’ (2,600 service jobs and 1,100 civilian jobs;
  - ❖ 6,600 indirect jobs as local household expenditure declines and orders from prime and sub-contractors diminish
- Almost all of the jobs lost that might be lost are located in the three districts of Portsmouth, Gosport and Fareham.
- The impact of these jobs lost would be felt most heavily in Urban South Hampshire and in Portsmouth and Gosport in particular. It is estimated that 11,600 of the posts lost would be lost directly in Portsmouth and 2,200 in Gosport. Another 7,800 indirect jobs would be lost throughout Urban South Hampshire, most of them in the four districts of Portsmouth, Gosport, Fareham and Havant.
- In terms of where the employees currently in these lost jobs live, an estimated 6,200 (almost all service personnel) live ‘out of the area’ which means that 15,500 current residents of Urban South Hampshire would lose their jobs or be moved out of the area (*this particularly applies to service personnel who may be relocated to Devonport or St Athen*). This impact would be greatest in the four districts of South East Hampshire where a total of 13,600 people would lose their jobs or be moved.

Income

- It is estimated that the minimisation of Portsmouth Naval Base could result in the loss of over £360m in income throughout the sub-regional economy. Summary Table 4 shows that:
  - ❖ in the region of £180m would be lost as a result the cessation of activities ‘on-base’. This includes the loss of the service and civilian incomes of

those local residents who are stationed at the base or on one of the Portsmouth based ships and civilians employed at the base either by the MoD or one of the prime contractors located on the base.
  - ❖ An additional £51m would be lost due to reduced 'off-base' activities and another £126m through the indirect and induced multiplier effects.
- The impact of this income loss would be felt most in the three authorities of Portsmouth, Gosport and Fareham. In total it is estimated that they might lose some £250m, £130m in Portsmouth and £60m in both Fareham and Gosport.

This analysis makes it clear that the potential impacts of base closure upon the economy of South Hampshire could be dramatic. What is also evident is that the resulting job losses and reduced income streams would fall most heavily upon the three districts of Portsmouth, Gosport and Fareham. Portsmouth and Gosport are already areas suffering from above average levels of deprivation and economic inactivity. The closure of Portsmouth Naval Base and the types of jobs that it supports within the local economy would clearly impact heavily upon these already disadvantaged communities.

Summary Table Three - Closure Scenario, Jobs Lost from the Sub-Region

								Off Base	
Deflator =	-100%	-90%	-90%	See Note 1		-25%		-20%	-20%
District/Region	Ships Crew	Portsmouth HMNB and HMS Nelson - SERVICE	Portsmouth HMNB and HMS Nelson - CIVILIANS	Defence Firms	Contractors	Heritage	Total 'On Base' jobs lost due to closure	Whale Island and Others - Service	Whale Island and Others - Civilian Staff
Portsmouth	-685	-496	-633	-749	-77	-34	**-2674**	**-46**	**-52**
Gosport	-755	-317	-349	-157	-118	-12	**-1707**	**-30**	**-29**
Fareham	-549	-298	-199	-144	-82	-6	**-1277**	**-28**	**-16**
Havant	-149	-96	-191	-132	-54	-10	**-632**	**-9**	**-16**
Southampton	-146	-115	-50	-64	-21	0	**-397**	**-11**	**-4**
Eastleigh	-31	-11	-14	-14	-5	0	**-75**	**-1**	**-1**
USH Total	-2316	-1333	-1434	-1261	-515	-61	**-6920**	**-124**	**-117**
Rest of S.Hants/IoW	-66	-32	-60	-24	-14	0	**-196**	**-3**	**-5**
S.Hants/IoW Total	-2382	-1364	-1495	-1285	-529	-61	**-7116**	**-127**	**-122**
Live 'Out of Area'	-3298	-713	-112	-47	-24	0	**-4194**	**-67**	**-9**
total	-5680	-2077	-1607	-1332	-553	-61	**-11311**	**-194**	**-132**

Notes: 1 For both full time and day contract staff, VT's employment is assumed unchanged, FSL is assumed to retain 10% of its current complement at Portsmouth and BAE is assumed to retain 50% of its staff within the sub-region.

Other MoD - Off Base (B) MoD and other Agencies, Jobs Lost from the Sub-Region

Deflator	**See Note 2**		**-25%**	**-15%**		**(Multiplier C)**	**(Total A+B+C)**		
District/Region	**Service personnel Training**	**Civilian Staff Training**	**Service Personnel MoD Agencies**	**Civilian staff MoD Agencies**	**Total 'off base' Jobs Lost**	**Indirect Employment Jobs Lost due to Closure**	**Total Defence Dependent Jobs lost Due to Closure**	**Service Jobs lost due to closure**	**Civilian Jobs lost due to closure**
Portsmouth	-166	-31	-44	-226	**-565**	-2464	**-5702**	**-1437**	**-4265**
Gosport	-276	-193	-28	-152	**-708**	-1404	**-3820**	**-1406**	**-2414**
Fareham	-174	-103	-27	-100	**-448**	-985	**-2710**	**-1075**	**-1635**
Havant	-41	-14	-9	-60	**-148**	-638	**-1418**	**-304**	**-1114**
Southampton	-32	-14	-10	-22	**-93**	-510	**-1001**	**-314**	**-687**
Eastleigh	-13	-3	-1	-5	**-24**	-75	**-174**	**-56**	**-117**
USH Total	-701	-359	-119	-565	**-1985**	-6076	**-14982**	**-4593**	**-10390**
				0		0			
Rest of Hants/IoW	-24	-5	-3	-17	**-56**	-191	**-442**	**-127**	**-315**
Hants/IoW Total	-725	-364	-122	-581	**-2041**	-6268	**-15425**	**-4720**	**-10705**
Live 'Out of Area'	-1483	-11	-64	-30	**-1664**	-339	**-6197**	**-5624**	**-573**
total	-2208	-375	-185	-611	**-3705**	-6607	**-21622**	**-10344**	**-11278**

Notes:2 - HMS Sultan is assumed to lose ALL staff as the training provide there moves to St Athan. HMS Collingwood is assumed to lose 20% of its staff as the total size of the surface fleet continues to fall and the need for training declines.

Summary Table Four - Closure Scenario, Income lost from the sub-regional economy(£m)

On Base (A), Portsmouth HMNB, Defence Firms, Contractors and Heritage attractions

District/Region	Ships Crew	Portsmouth HMNB and HMS Nelson - SERVICE	Portsmouth HMNB and HMS Nelson - CIVILIANS	Defence Firms	Contractors	Heritage	Tourist' expenditure of crews of visiting Ships	Defence Firms Expenditure within the Local Economy	Heritage Firms Expenditure within the Local Economy	Total 'On Base' NET income LOST from the sub-region[1]
Deflator	-90%	-81%	-70%	-47%	-47%	-20%	-100%	-74%	-25%	
Portsmouth	-11.40	-11.38	-8.54	-7.47	-3.92	-0.28	-3.69	-16.98	-0.56	**-64.2**
Gosport	-10.83	-6.94	-4.80	-1.88	-1.97	-0.10	0.00	-0.26	-0.01	**-26.8**
Fareham	-9.16	-6.90	-3.02	-2.83	-1.36	-0.05	0.00	-6.10	-0.19	**-29.6**
Havant	-2.87	-2.48	-2.99	-1.60	-0.90	-0.08	0.00	-0.44	-0.01	**-11.4**
Southampton	-3.02	-3.21	-0.77	-4.83	-0.36	0.00	0.00	-6.11	-0.18	**-18.5**
Eastleigh	-0.57	-0.27	-0.27	-0.56	-0.08	0.00	0.00	-0.99	-0.03	**-2.8**
USH Total	-37.84	-31.18	-20.39	-19.18	-8.59	-0.51	-3.69	-30.89	-0.98	**-153.2**
Rest of S.Hants/IoW	0.00	-0.84	-0.85	-0.88	-0.23	0.00	0.00	-4.48	-0.04	**-7.3**
S.Hants/IoW Total	-39.10	-32.03	-21.24	-20.06	-8.82	-0.51	-3.69	-35.36	-1.03	**-161.8**
Local Spending of 'Out of Area' Staff	-17.85	-0.82	-0.15	-0.81	-0.30	0.00	0.00	0.00	-0.03	**-20.0**
total	-56.95	-32.85	-21.39	-20.87	-9.12	-0.51	-3.69	-35.36	-1.06	**-181.80**

Other MoD - Off Base (B), Whale Island, HMS Sultan, HMS Collingwood and 'other' MoD Agencies

District/Region	Whale Island and Others - Service	Whale Island and Others - Civilian Staff	Service personnel Training	Civilian Staff Training	Service Personnel MoD Agencies	Civilian staff MoD Agencies	Training + Agency Expenditure in local economy	Income from Defence Related Tourism	Total 'Off Base' NET Income	Indirect Income	TOTAL Defence Dependent Income LOST from the sub-regional Economy
										55%	
Deflator	-20%	-20%	-62%	-13%	-15%	-15%	-45%	-25%		**Multiplier (C)**	**Totals (A+B+C)**
Portsmouth	-1.18	-0.90	-3.69	-0.13	-0.66	-4.07	-5.05	-5.01	**-20.69**	-46.7	**-131.6**
Gosport	-0.72	-0.51	-5.79	-0.61	-0.40	-2.72	-0.07	0.00	**-10.81**	-20.7	**-58.3**
Fareham	-0.72	-0.32	-3.98	-0.43	-0.40	-1.86	-1.52	0.00	**-9.22**	-21.4	**-60.2**
Havant	-0.26	-0.32	-0.99	-0.07	-0.14	-1.13	-0.13	0.00	**-3.04**	-7.9	**-22.4**
Southampton	-0.33	-0.08	-0.71	-0.05	-0.19	-0.41	-1.26	0.00	**-3.04**	-11.8	**-33.4**
Eastleigh	-0.03	-0.03	-0.31	-0.01	-0.02	-0.10	-0.29	0.00	**-0.78**	-1.9	**-5.5**
USH Total	-3.23	-2.15	-15.46	-1.31	-1.82	-10.29	-8.31	-5.01	**-47.57**	-110.4	**-311.3**
Rest of S.Hants/IoW	-0.09	-0.09	-0.58	-0.01	-0.05	-0.30	-0.19	0.00	**-1.32**	-4.8	**-13.4**
S.Hants/IoW Total	-3.32	-2.24	-16.04	-1.32	-1.86	-10.60	-8.50	0.00	**-48.89**	-115.9	**-326.6**
Local Spending of 'Out of Area' Staff	-0.07	-0.01	-1.95	0.00	-0.31	-0.04	0.00	0.00	**-2.39**	-12.3	**-34.6**
total	-3.39	-2.25	-18.00	-1.32	-2.18	-10.63	-8.50	-5.01	-51.27	-128.2	**-361.26**

Note [1] - All household Incomes are shown as 'net income' after deduction of tax and NI contributions

Key = Wages and salaries paid to employees

Key = Expenditure on Goods and Services within the Local economy by defence firms and 'tourists'

5 SCENARIO 3 – BASE GROWTH

5.1 Assumptions and implications of Closure

In the event of a decision to discontinue surface fleet operations at Devonport[29], it is assumed that the base there would be gradually rundown over a period of four years, from 2009 to 2013. The primary assumption of this scenario is that the majority of the retained warships (and their crews) would be removed from Devonport to a new base of operation at Portsmouth. The consequences of such a decision would include injections of employment and income and increased demand for local services thus promoting economic growth. Whilst it is impossible to forecast exactly what the total impact of such a scenario would be, it is possible to examine the effects on the basis of informed and objective assumptions. On the basis of the estimates generated by assumptions it is possible to examine the ability of the
sub-regional economy to assimilate the potential influx of service and civilian personnel and any associated demand for goods and services.

Devonport Dockyard, owned by the MoD, is currently home to 7 nuclear-powered submarines and 19 surface ships. Devonport dockyard carries out deep maintenance on both submarines and surface warships. As long as the Royal Navy continues to operate nuclear-powered submarines, Devonport will continue to remain licensed to carry out the overhaul and de-commissioning of these vessels. However, Devonport's maintenance and refit work on surface ships could be moved to Portsmouth, which has the ability to berth the planned new super-carriers which Devonport does not have. In addition Devonport is a much larger dockyard than Portsmouth (approximately three times the size) and as a consequence much larger than is likely to be required by a slimmed down Royal Navy. Thus it may be argued that Portsmouth offers greater efficiency in terms of its use of land, providing for a greater release of redundant estate at a Devonport yard trimmed down to just the maintenance of the submarine fleet.

5.2 Impacts 'On-Base'

a)Devonport/Portsmouth-based ships

There are currently 19 ships based at Devonport Dockyard and information from NMMIS shows that there are currently just under 3,600 service personnel based on these ships. If surface fleet operations are discontinued at Devonport it is reasonable to assume that some of these ships and their crews would be re-located to HMNB Portsmouth. However, changes to the future structure of the surface fleet means that a number of current (Portsmouth and Devonport-based) ships are likely to be replaced/decommissioned. The table in Appendix 3 shows that the current CVS ships will be replaced by the CVF's and the number of crew on the type 42/45's will be reduced by 776. taking all the information in this table together it is estimated that the 'net change' in crew numbers, in the event of the minimization of Devonport, would be an increase of 1600 crew stationed on Portsmouth based ships.

[29] It is assumed that the submarines (and their crews) currently based at Devonport would remain there. It is possible that they could be re-located to Faslane in Scotland, but this scenario would have no impact upon HMNB Portsmouth.

In line with the assumptions made under the closure scenario, it is assumed that 90% of the ships crew and their families, who are currently domicile within the Plymouth region, would eventually relocate to the Portsmouth area. It is also likely that a small residual of around 10% would remain in the Plymouth area as result factors such as personal preference, children's schooling and family ties.

b) Devonport/Portsmouth 'on-shore' service personnel

If the decision was made to move Devonport's surface fleet to Portsmouth it is assumed that there would be gradual run-down of the number of service personnel based there. It is logical to expect that the majority of naval shore functions and personnel associated with the surface fleet operations at Devonport would be re-located to Portsmouth in support of the increased fleet. There are currently over 1,550 service personnel stationed at Devonport. Some of these would have to remain in support of the submarine fleet. It is reasonable to assume that 50% of this total number would be relocated to Portsmouth, this is equivalent to a 43% increase in the number of service personnel currently stationed at PNB. It is further assumed that some 10% of those who relocate to Portsmouth would choose to remain domicile within the Plymouth sub-region.

d) Devonport MoD Civilian Employees

Information from the National Online Manpower Information System (NOMIS) indicates that a total of 443 civilian staff are currently employed by the MoD at Devonport. In the event of a decision to close HMNB Devonport, a proportion of this civilian complement would no longer be required at the base. Given this scenario it is appropriate to assume the following:

- Approximately 30% of civilian staff would be retained to manage and oversee submarine operations at Devonport.
- approximately 50% of Devonport's current staff/key workers (equal to 220 staff) would be relocated to Portsmouth as part of its extended role (all may not wish to relocate, this number being replaced by local recruitment. This would be equivalent to a 12.5% increase in the number of civilian staff employed at PNB.

e) Defence Prime Contractors

The impact upon prime contractors of HMNB Portsmouth is likely to vary, depending upon the role that they play in relation to the Naval Base. The following assumptions for each of the three main contractors are based upon the authors estimates and discussions within the review team

di) VT LTD

VT's role within the Naval Base is as a shipbuilder and ship repairer. The statement issued by VT in the wake of the review announcement states '*We do not anticipate any effect on our shipbuilding business in Portsmouth although the stated desire of the UK MoD to see consolidation in the UK shipbuilding industry will affect that business and also our related Marine Products businesses*'. VT's future employment is closely linked to the MoD's decision on the disbursement of contracts to build the new super carriers. VT is hopeful of being awarded the contracts to work on part of the carrier. It is assumed that under this scenario that VT's workforce expands by 20%

dii) Fleet Support Limited (FSL)

FSL's role in the dockyard is to provide support to the surface fleet. Its defence work is very 'lumpy' and this is marginally supported by work for commercial customers. It is assumed that in the event of Devonport's ships moving to Portsmouth that FSL's workforce would be 'secured' but with no expansion in employment.

diii) BAE Systems

The role of BAE Systems role within Portsmouth Naval Base is that of a specialist supplier for modifications to existing vessels and advice/ product development for new build. It also plays a part in the refurbishment and disposal of redundant warships. Were the Naval Base to expand it is assumed that this would have little impact on BAE's workforce and, as with VT, secure BAE's current workforce without any increase in numbers.

f) Defence Heritage Attractions

The impact of the growth of the Naval Base is difficult to assess. It is clear that a major part of the attraction of the Naval Base is as a 'working dockyard' rather than as a 'naval museum' e.g. harbour tours, special events such as IFOS. There has been significant growth in tourist numbers to the historic dockyard over the past few years. In linwe with this it is assumed that an expanded fleet at Portsmouth, with the added attraction of the super carriers when in port could lead to a 25% increase in visitor numbers.

5.3 Impacts 'Off-Base'

The expansion HMNB Portsmouth closure would probably lead to some increase in demand for the services of Naval and MoD establishments and agencies located 'off base' within the sub-region. These impacts are difficult to assess but it is likely that demand for work from agencies and other providers would be positively impacted.

a) Whale Island

Whale Island is the Royal Navy's Headquarters where the offices of Commander in Chief of the Fleet are located. The operations on Whale island are technically outside the scope of the NBR, however, it is logical to assume that the movement of Devonport's fleet to Portsmouth would have some knock-on effect on Whale Island. It is assumed that the number of service and civilian staff employed on Whale Island will increase by 20% as the surface fleet moves to Portsmouth .

a) MoD Training

Even if HMNB Portsmouth were to expand, there would be negative implications for the local MoD Naval Training establishments. Recent announcements have stated that training currently carried out at HMS Sultan is to be re-located to St Athan in South Wales by 2017. Although this is technically outside on the NBR review it is assumed that all of these jobs would eventually be lost from HMS Sultan. Although there are currently no plans to close or relocate HMS Collingwood it is assumed that the expansion of Portsmouth Naval Base would secure jobs at Collingwood but with no expansion in numbers.

b) MoD Agencies

In the event of the expansion of Portsmouth Naval Base and the construction of the CVF's, it is likely that there would be some increase in the employment of MoD Agencies. Hence, it is assumed than an increase of approximately 20% in the numbers employed. In the longer-term, this may be even greater as services at Devonport relocate to Portsmouth.

5.4 Potential Impacts of Growth Scenario

The tables that follow provide a summary of the estimated impacts of the closure of Portsmouth Naval Base upon employment and income within the immediate sub-region. The main impacts identified are as follows:

Employment

- The expansion of Portsmouth Naval Base could lead to a total potential job increase in excess of just under 2,900 jobs (direct and indirect jobs). This figure includes an estimated 'net increase' in ships crew of 1,600 and the closure of HMS Sultan:
  - ❖ 2,900 additional jobs 'on base' (6,700 service jobs and 550 civilian jobs)
  - ❖ a loss of 900 jobs 'off base' (A 'net' loss of 1500 service jobs, due mainly to the planned closure of HMS Sultan and a 'net' gain of 600 civilian jobs)
  - ❖ an increase of 890 indirect jobs as local household expenditure increases and orders from prime and sub-contractors expand
- Separating additional service and civilian jobs, the table shows that the expansion of activities at the Naval Base could result in a total of just under 830 more service personnel being based at Portsmouth (this includes the crew of Portsmouth based ships) and an estimated extra 2,100 civilian jobs
- It is estimated that just under 170 of the people in these posts (mainly ships crew and other service personnel) would live 'out of area' meaning that some 2,700 more people would be in employment and living within South Hampshire and the Isle of Wight.
- The majority of the additional employment would benefit the three districts of Portsmouth, Gosport and Fareham which between them see an increase of just under 2,100 people in employment.

Income

- It is estimated that the expansion of activity at Portsmouth Naval Base could result in an additional £65m in net income flowing into the sub-regional economy. Summary Table 6 shows that:
  - ❖ the vast majority of this inflow of income would be the result of additional household income generated by the presence of more ship based at PNB and more staff employed on base to service this growth.
  - ❖ The 'net' impact on income generated by 'off-base' activities would be minimal with any increase in local income resulting from additional demand

and employment just offsetting the income lost due to the planned closure of HMS Sultan.

- The impact of any increase in income would be felt most greatly in the three authorities of Portsmouth, Gosport and Fareham where a large proportion of additional crew and staff are likely to be domicile. In total it is estimated that these three authorities may gain in the region of an extra £47m in net income, £28m in Portsmouth, £10m in Gosport and £9m in Fareham.

This analysis makes it clear that the potential impacts of base expansion upon the economy of South Hampshire whilst positive are not as extreme as the implications of closure. Much of the increase in activity would serve to 'secure' present jobs rather than to create new employment. The vast majority of the growth would be the result of additional service personnel being based at Portsmouth and the consequent impact of this upon local household income. Most of the increase in population and income would benefit the three districts of Portsmouth, Gosport and Fareham. Urban South Hampshire is a planned growth area within the South East Regional Economic Strategy and with planned housing growth and above average levels of economic inactivity it is clear that the area could easily cope with the influx of new population and any increased demand for labour.

Summary Table Five - Growth Scenario, Additional Employment

					VT Only	VT only		Off Base	
Inflator	**28%**	**33%**	**13%**	**0.2**	**0.2**	**25%**		20%	20%
District/Region	**Ships Crew**	**Base Service Personnel**	**MoD Civilians**	**Defence Firms**	**Contractors**	**Heritage**	**Total 'On Base' additional Employment**	**Whale Island and Others - Service**	**Whale Island and Others - Civilian Staff**
Portsmouth	192	182	88	21	37	34	**553**	46	52
Gosport	211	116	48	8	19	12	**415**	30	29
Fareham	154	109	28	24	13	6	**333**	28	16
Havant	42	35	26	7	9	10	**129**	9	16
Southampton	41	42	7	97	3	0	**190**	11	4
Eastleigh	9	4	2	8	1	0	**23**	1	1
USH Total	648	489	199	164	82	61	**1643**	124	117
Rest of S.Hants/IoW	18	12	8	10	2	0	**50**	3	5
S.Hants/IoW Total	667	500	208	174	84	61	**1694**	127	122
Live 'Out of Area'	923	261	16	12	4	0	**1216**	67	9
total	1590	762	223	185	88	61	**2910**	194	132

(B) Off Base - Adittional Jobs Due to Growth

Deflator	**Sultan -100%**	**Sultan -100%**	**20%**	**20%**		**(Multiplier C)**	**(Total A+B+C)**		
District/Region	**Service personnel Training**	**Civilian Staff Training**	**Service Personnel MoD Agencies**	**Civilian staff MoD Agencies**	**Total 'off base' Additional Jobs**	**Indirect Employment Jobs 'gained' due to Growth**	**Total Defence Dependent Jobs Gained Due to growth**	**Number of additional Service Jobs**	**Number of additional Civilian Jobs**
Portsmouth	-140	-24	35	301	**271**	330	**1155**	**315**	**839**
Gosport	-234	-174	23	203	**-124**	188	**478**	**146**	**332**
Fareham	-147	-84	21	133	**-33**	132	**433**	**165**	**267**
Havant	-35	-10	7	79	**66**	85	**280**	**58**	**222**
Southampton	-27	-13	8	29	**13**	68	**272**	**76**	**196**
Eastleigh	-11	-3	1	6	**-4**	10	**29**	**4**	**26**
USH Total	-592	-308	95	753	**189**	814	**2647**	**764**	**1883**
								0	
Rest of Hants/IoW	-20	-4	2	23	**9**	26	**85**	**15**	**70**
Hants/IoW Total	-612	-312	97	775	**198**	840	**2731**	**779**	**1952**
Live 'Out of Area'	-1253	-9	51	40	**-1095**	45	**166**	**49**	**117**
total	-1865	-321	148	815	**-897**	885	**2898**	**828**	**2069**

Summary Table Six - Growth Scenario, Additional Income injected into the sub-regional economy(£m)

On Base (A), Portsmouth HMNB, Defence Firms, Contractors and Heritage attractions

District/Region	Ships Crew	Portsmouth HMNB and HMS Nelson - SERVICE	Portsmouth HMNB and HMS Nelson - CIVILIANS	Defence Firms	Contractors	Heritage	Tourist' expenditure of crews of visiting Ships	Defence Firms Expenditure within the Local Economy	Heritage Firms Expenditure within the Local Economy	Total 'On Base' NET income[1] increase due to Growth
Inflator	25%	33%	13%	20%	20%	25%	0%	20%	25%	
Portsmouth	3.17	4.64	1.59	1.21	0.65	0.35	0.00	0.99	0.56	**13.1**
Gosport	3.01	2.83	0.89	0.30	0.33	0.12	0.00	0.02	0.01	**7.5**
Fareham	2.54	2.81	0.56	0.46	0.23	0.06	0.00	0.35	0.19	**7.2**
Havant	0.80	1.01	0.56	0.26	0.15	0.10	0.00	0.03	0.01	**2.9**
Southampton	0.84	1.31	0.14	0.78	0.06	0.00	0.00	0.36	0.18	**3.7**
Eastleigh	0.16	0.11	0.05	0.09	0.01	0.00	0.00	0.06	0.03	**0.5**
USH Total	10.51	12.70	3.79	3.10	1.43	0.64	0.00	1.79	0.98	**34.9**
										0.0
Rest of S.Hants/IoW	0.00	0.34	0.16	0.14	0.04	0.00	0.00	0.26	0.04	**1.0**
S.Hants/IoW Total	10.86	13.05	3.94	3.24	1.46	0.64	0.00	2.05	1.03	**36.3**
Local Spending of 'Out of Area' Staff	4.46	0.27	0.02	0.06	0.02	0.00	0.00	0.00	0.03	**4.9**
total	15.32	13.32	3.96	3.31	1.49	0.64	0.00	2.05	1.06	**41.1**

Other MoD - Off Base (B), Whale Island, HMS Sultan, HMS Collingwood and 'other' MoD Agencies

District/Region	Whale Island and Others - Service	Whale Island and Others - Civilian Staff	*Sultan* Service personnel Training	*Sultan* Civilian Staff Training	Service Personnel MoD Agencies	Civilian staff MoD Agencies	Training + Agency Expenditure in local economy	Income from Defence Related Tourism	Total 'Off Base' NET Income increase due to Growth	Multiplier (C): Indirect Income	Totals (A+B+C): TOTAL Defence Dependent Income Gained due to Growth
Inflator	20%	20%	-100%	-100%	20%	20%	-40%	25%			
Portsmouth	1.18	0.90	-3.69	-0.13	0.88	5.42	-4.49	5.01	**5.09**	10.0	**28.3**
Gosport	0.72	0.51	-5.79	-0.61	0.54	3.63	-0.06	0.00	**-1.06**	3.5	**10.0**
Fareham	0.72	0.32	-3.98	-0.43	0.54	2.48	-1.35	0.00	**-1.71**	3.0	**8.5**
Havant	0.26	0.32	-0.99	-0.07	0.19	1.50	-0.11	0.00	**1.09**	2.2	**6.2**
Southampton	0.33	0.08	-0.71	-0.05	0.25	0.55	-1.12	0.00	**-0.67**	1.7	**4.7**
Eastleigh	0.03	0.03	-0.31	-0.01	0.02	0.13	-0.26	0.00	**-0.37**	0.1	**0.2**
USH Total	3.23	2.15	-15.46	-1.31	2.42	13.72	-7.38	5.01	**2.38**	20.5	**57.8**
					0.00	0.00	0.00				
Rest of S.Hants/IoW	0.09	0.09	-0.58	-0.01	0.07	0.41	-0.17	0.00	**-0.12**	0.5	**1.3**
S.Hants/IoW Total	3.32	2.24	-16.04	-1.32	2.49	14.13	-7.55	0.00	**2.26**	21.2	**59.7**
Local Spending of 'Out of Area' Staff	0.07	0.01	-1.95	0.00	0.06	0.05	0.00	0.00	**-1.76**	1.7	**4.8**
total	3.39	2.24	-18.00	-1.32	2.55	14.18	-7.72	5.01	**0.50**	22.9	**64.55**

Note[1] - All household Incomes are shown as 'net income' after deduction of tax and NI contributions

Key = Wages and salaries paid to employees

Key = Expenditure on Goods and Services within the Local economy by defence firms and 'tourists'

6 Conclusions

The findings of the report clearly highlight the importance of the Portsmouth Naval Base to the local economy of the Urban South Hampshire. The activities on and off base in conjunction with the indirect effects through the defence supply chain and household expenditures are estimated to support almost 35,000 jobs throughout the sub-region. In addition these activities are responsible for the injection of almost £680m into the local economy.

A large proportion of this impact is due to the presence of naval personnel within the area, with a total of 13,300 being employed on Portsmouth based ships, PNB and other local Navy and MoD establishments. In addition, almost 11,000 civilians are directly employed by the MoD, training establishments and other agencies. On top of this can be added in the region of 10,700 indirect jobs supported by Household and supply chain expenditures. These jobs represent almost 8% of all posts located within the sub-region and account for 6.2% of the employment of residents of Urban South Hamphire.

On the basis of the assumptions made in the report it is estimated that minimisation could lead to the loss of over 21,000 jobs from the sub-regional economy and the leakage of over £350m out of the local economy. Growth would benefit the local economy to the tune of over 2,900 new jobs (830 service posts and 2,100 civilian) and the injection of £65m

What is also clear is that the brunt of any change would impact upon the three authorities of Portsmouth, Gosport and Fareham where most of the current jobs are located and employees live (and spend their income). Any consideration of plans to either minimise or close the Portsmouth Naval Base MUST take into account the impacts that will undoubtedly fall upon these local areas. Whilst the analysis in this report highlights the economic implications in terms of local employment and income there are also social impacts that need to be taken into account as well. Portsmouth and Gosport, the two hardest hit authorities already have areas of above average deprivation and a decision to minimise the base would undoubtedly exacerbate these problems.

Appendix 1

Number and Location of UK Royal Navy Personnel

Service Personnel 'on-board'			
Location	Submarine	Surface	Total
Portsmouth	0	5680	5680
Plymouth	1042	3558	4600
Faslane	1136	505	1641
Elsewhere UK	0	149	149
Total	2178	9892	12070
Service Personnel 'on-shore'			
Location			
Portsmouth	7478		
Plymouth	3986		
Faslane	1393		
Elsewhere UK	4627		
Overseas	934		
Total	18418		

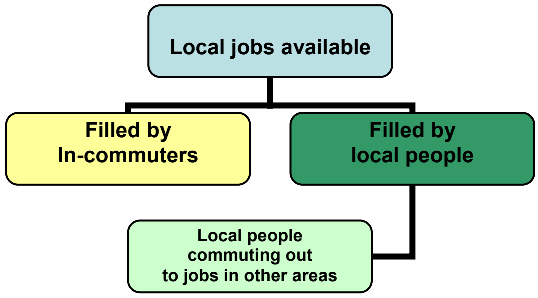
Source: updated NMMIS

Appendix 2

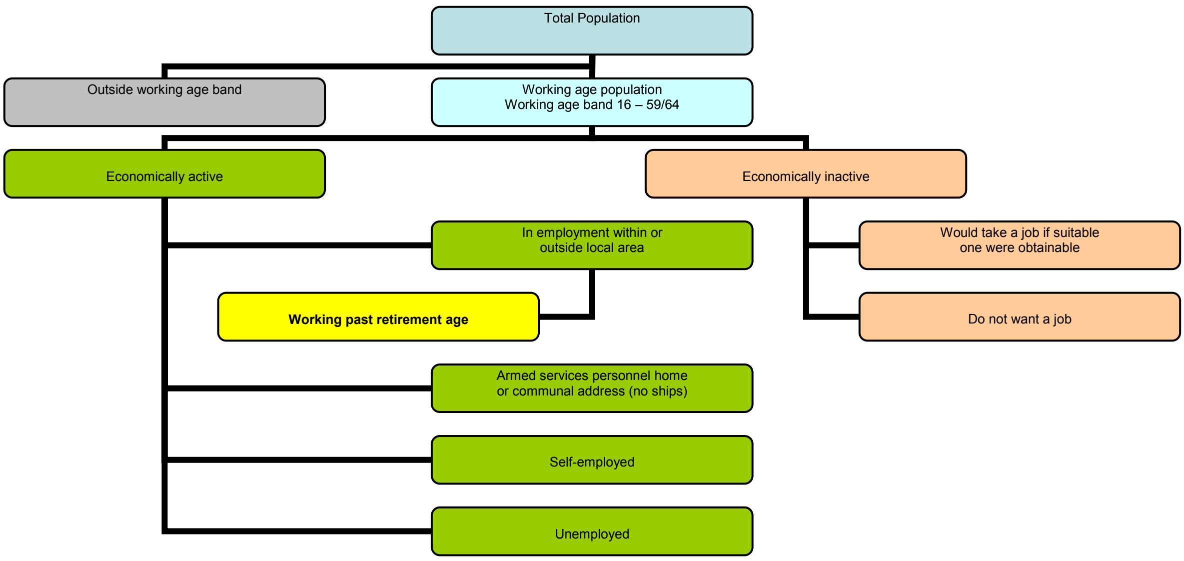
Definition of Labour Markets Statistics

Definitions

The local labour supply is drawn primarily from the local population. There will also be a daily inflow from commuters as well as an outflow of local resident going to jobs outside the area.



The activities of the local population which make up the bulk of the local labour supply can be represented schematically as below:



The working age population is all those people aged between 16 and normal retirement age. For instance, in the City of Portsmouth there are 124,300 civilians classified as being of working age this is around two thirds of the city's civil population. In total 101,700 people are economically active and out of these a relatively small number are working on past retirement age (1,200 in Portsmouth). This means that 81% of working-age people are economically active. A further 23,800 are economically inactive out of these around 70% do not want to work the remainder would take a job if a suitable one were available, this group includes those unable to work through some form of incapacity (collectively they are referred to as the "hidden or involuntary unemployed").

Out of the economically active the majority work for companies, either inside or outside the area. In the case of Portsmouth this equate to 85,100 people (including those past retirement age). There are also 10,200 people classified as self-employed (they may sub-contract to a local firm) in addition, there are 5,800 people classified (using the ILO definition) as unemployed they do not currently work but are “looking for work”. Armed forces personnel are present in most local areas, in most cases it is serving personnel’s home address (these figures are obtained from the Population Census 2001) as well as those that live in communal establishments (barracks). In garrison towns this number is often quite high.

Appendix 3

Growth Scenario

Estimate of 'Net Change' in Surface Fleet Crew Numbers

From NBC's NBR submission	**2006 – Current Base Porting**		**2014 – All SS in Portsmouth**		
Ship	**No**	**People**	**No**	**People**	**Change**
CVF	0	0	2	1354	+1354
CVS	2	1524	0	0	-1524
LPH/LPD	0	0	2	935	+935
T42/T45	8	2296	8	1520	-776
T22[30]	0	0	0	0	0
T23	6	1110	13	2405	+1295
OPVs etc[31]	2	148	8	445	+297
MCMV	8	360	8	360	0
Totals	**26**	**5438**	**41**	**7019**	**+1581**

Source: Royal Navy website

[30] Assumes all T22s taken as savings.
[31] Including OPVs, Scott, Endurance, Falklands Patrol Vessel etc.