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University of Portsmouth

Final Report

The impact of the defence sector on the economy of Gosport, Hampshire

Trainees at HMS Sultan; Source: http://www.royalnavy.mod.uk/server/show/nav.3497

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Any errors or omissions are the sole responsibility of the authors at the Centre for Local and Regional Economic Analysis.

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Personal information is subject to the provisions of the Data Protection Act 1998. The following report used elements of personal data in the calculations in order to reach its conclusions. This data, in disaggregated form, could potentially lead to the identification of an individual. It is therefore not available for disclosure and has been removed.

This report is most suitable for informing and guiding forward planning and strategic policymaking and has been written primarily for this purpose. An executive summary provides a full and focused narrative of the main outcomes of the study and is probably the most suitable vehicle for wider dissemination.

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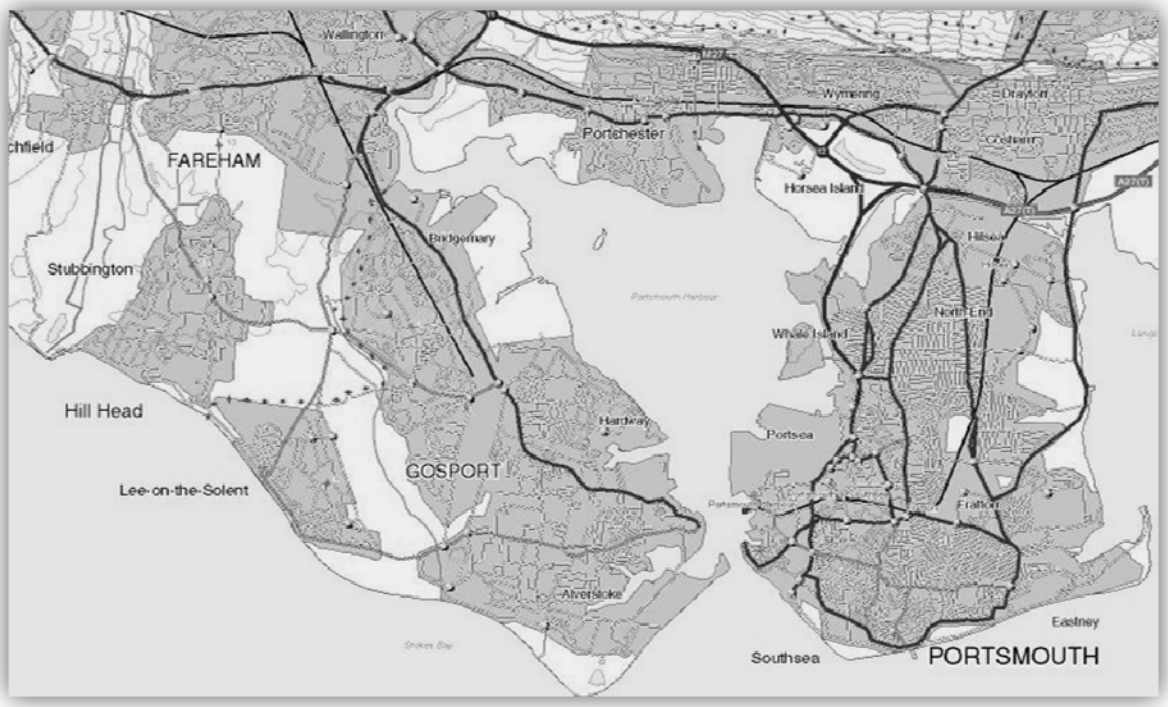
Socio-Economic Impact Assessment of Gosport Defence Establishments

Background to the Report

The Borough of Gosport[1] is located in South East England (see figure 0.1), a region with a high density of Ministry of Defence (MoD) and defence related establishments and industries. With an estimated defence dependent employment level of around 100,000[2], this sector plays a significant role in the region's economy. Nowhere is this more pronounced than on the south coast, where Gosport and the neighbouring city of Portsmouth, the traditional base of the Royal Navy, have a long and illustrious association with the Defence of the Realm.

Figure 0.1 Location of Gosport



According to the latest APS[3] estimates, Gosport has a resident population of 78,200 (see Table 0.1). The local labour supply consists of 49,000 people of working age, 81.4% of whom are economically active. In May 2008, 1.5% of the working age population were claiming Job Seekers Allowance (JSA,) a figure marginally higher than the regional JSA claimant rate of 1.4%. Just over 20% of working age adults are qualified to at least NVQ

[1] The Borough of Gosport incorporates the towns of Gosport and Lee-on-the-Solent.
[2] DASA - UK Defence Statistics 2007- Accessed 31st October 2007
[3] Annual Population Survey, Nomis, Mid-year population estimates 2006

Level 4, an equivalent level to a degree or HND qualification. On the demand side, Gosport has a job density of 0.53[4], or approximately one position for every two resident workers. Additionally, 7.6% of the working age population were self-employed in 2006. The median weekly earnings of those who work within the Borough were £364.4 in 2007. The proportion of the jobs within Gosport which are in so-called high tech industries (12.1%) compares favourably with the regional average of 9.4%. This relatively strong emphasis on high productivity sectors is reflected in the Gross Value Added (GVA) figure per person employed, which for Gosport is £41,700, which is exactly £5,000 per employee higher than the figure for the South East as a whole.

Table 0.1 – Gosport local economy key statistics

	Gosport	South East region
Area (sq km)	25	19,069
Population (Mid 2006)[1]	78,200	8,237,800
Working age Population (Mid 2006)[1]	49,000	5,175,700
Economic activity rate (2006)[2]	81.4%	82.1%
Claimant count unemployment rate (May 2008)[3]	1.5%	1.4%
Working age adults qualified to NVQ 4 and above % (Dec 2006)[2]	22.8%	30.5%
Number of FTE jobs (2006)[4]	21,800	3,551,700
Job density (2006)[5]	0.53	0.87
Self employment rate (2006)[2]	7.6%	10.4%
Employee jobs in high tech industries (2006)[6]	12.1%	9.4%
GVA per person employed in £thousands (2006)[7]	41.7	36.7
Median weekly earnings (workplace) (2007)[8]	£364.4	£392.7

[1] NOMIS – Mid-year population estimates [2]Annual Population Survey [3]Claimant Count [4] CLREA estimates based on 2006 ABI, DASA and APS data [5] NOMIS Job Densities [6]Annual Business Inquiry (ABI) [7]GVA CLREA estimates [8] ASHE

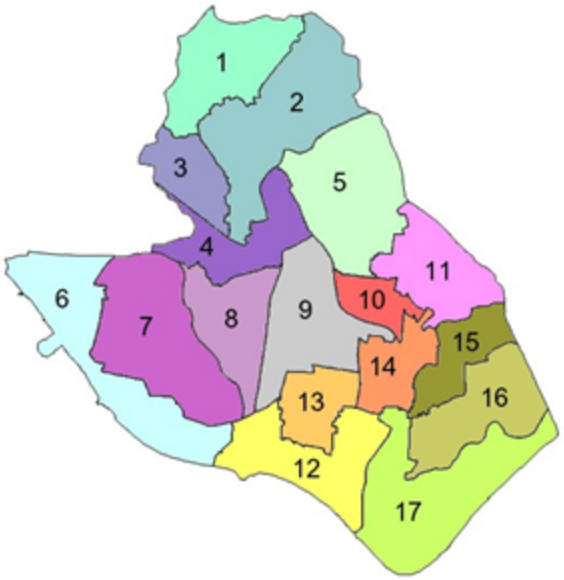
Many of the jobs in Gosport are reliant on the defence sector, either directly through the MoD, or indirectly in firms which form part of the defence supply chain. In addition to the employment opportunities it offers, the MoD has a large physical presence in the Borough, currently owning 21.2% of the land area[5]. In the recent past this figure has been as high as 33%, prior to the sale of redundant land and establishments such as HMS Daedalus in 2006[5]. Put into context, this compares to a UK wide figure of MoD land ownership of around 1%[2].

These defence related establishments, which cover a total area of approximately 560 hectares, are spread across the Borough from Fleetlands and DSDA Gosport in the north eastern wards of Bridgemary South and Elson, HMS Sultan and Centurion in the central

[4] The estimated 2006 figure is based on the previous five year NOMIS Job densities estimates, rolled forward utilising a linear forecast model.
[5] Source: Gosport Borough Council

Brockhurst ward, to Fort Blockhouse, Qinetiq, the Institute of Naval Medicine and Haslar Hospital in the south eastern ward of Anglesey (see Figures 0.2 and 0.3). There is also a substantial naval presence just over the border in Fareham at HMS Collingwood and across the Harbour in Portsmouth Naval Base and associated establishments within Portsmouth.

Figure 0.2 Map of Gosport Wards



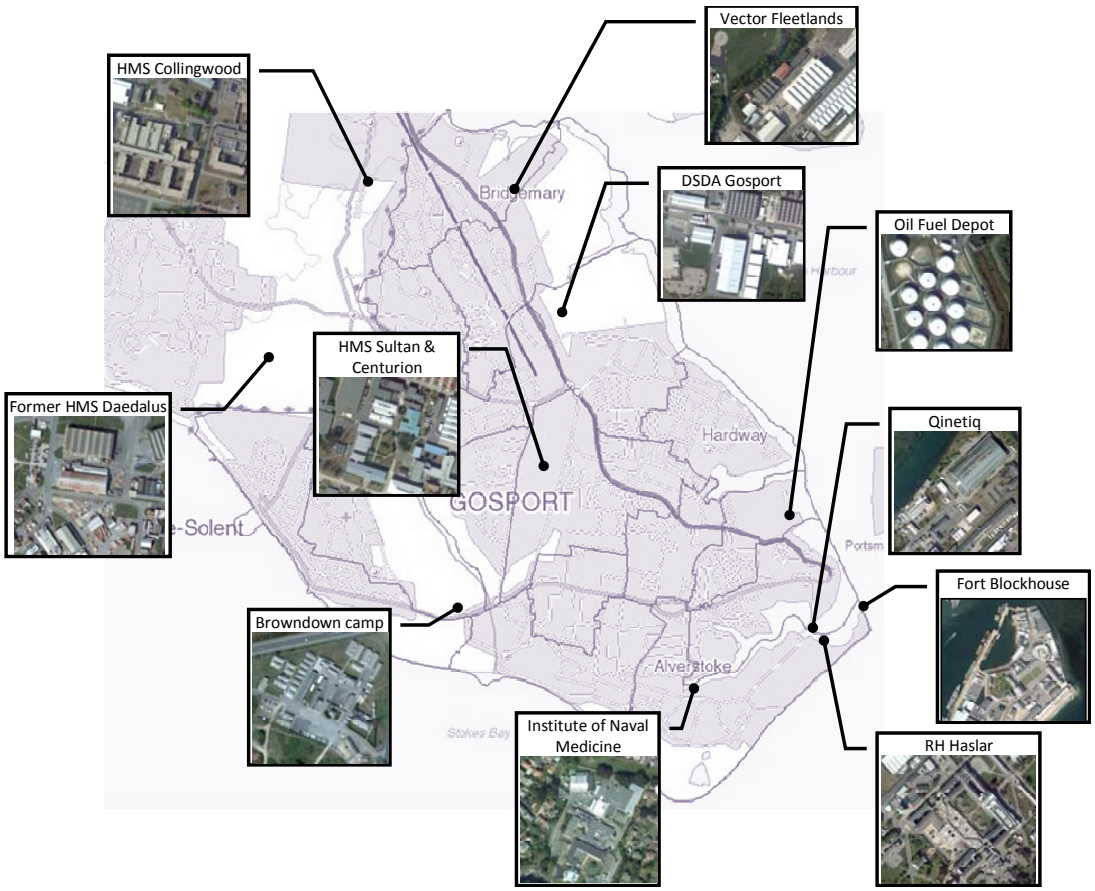
Key	Ward
1	Bridgemary North
2	Bridgemary South
3	Peel Common
4	Rowner and Holbrook
5	Elson
6	Lee West
7	Lee East
8	Grange
9	Brockhurst
10	Forton
11	Hardway
12	Alverstoke
13	Privett
14	Leesland
15	Christchurch
16	Town
17	Anglesey

Recently, the MoD has been seeking to improve the efficiency of its operations, and has embarked on a systematic process of review and rationalisation. As part of this exercise, the decision was taken in July 2007 that Portsmouth Naval Base should be retained, albeit with the need to implement cost saving measures in the future. In the short-term, it was also confirmed that two new super carriers would be partially constructed, and based, at Portsmouth Naval Base, providing a welcome boost to the local area, including Gosport.

Over the next 10 years, the MoD has announced its intention to consolidate and co-locate the majority of MoD activity and training at single and tri-service super garrisons and bases. These plans include the gradual relocation of Aeronautical and Electro-mechanical engineering training from its present bases, including HMS Sultan in Gosport, to a new tri-service Defence Training campus at St Athan in South Wales. However, the exact scale and timing of these changes is subject to confirmation and discussion. In addition, Haslar Hospital, which has delivered health care on its present historic site since the Crimean War, is faced with almost certain closure in 2009.

Given Gosport's high dependency on the defence sector, it is crucial to consider the economic and social implications of proposed and potential future changes to defence related establishments in Gosport Borough and the surrounding area.

Figure 0.3 Map of Gosport showing the location of the main MoD sites



The aims and objectives of the report are set out in *Chapter 1.* The main defence establishments located within Gosport Borough and the surrounding region are profiled in *Chapter 2.* This is followed in *Chapter 3* by a theoretical explanation of the direct, indirect and induced effects that the defence sector might have on the local economy. In *Chapter 4*, the Gosport economy, as it stands at the baseline in terms of output and employment, is broadly outlined. This general case is then narrowed down in *Chapter 5,* which through the analysis of primary data*,* focuses in detail on the economic impact, including any multiplier effects, which the defence sector has on the local economy. *Chapter 6* outlines the modelling techniques, assumptions and scenarios which are used to analyse the likely future economic impact of the defence sector in Gosport Borough. *Chapters 7 to 10* analyse the baseline and post impacts of the 'most likely' scenarios for HMS Sultan, Haslar Hospital, Vector Aerospace and Portsmouth Naval Base respectively. *Chapter 11* examines the combined impacts of these various scenarios upon the Borough economy.

Chapter 1 - Aims and Objectives of the Report

This study is designed to analyse the likely impacts of future changes to Gosport's defence sector on the Borough economy. The report begins by presenting a baseline measure of the Borough's defence sector, detailing the current level of dependence upon local defence establishments including:

- The current economic impact (direct and indirect) of defence sites located within and close to Gosport upon the local economy in terms of both income and employment generated;
- detailed information regarding the number of civilian and service personnel directly employed by these defence establishments within each local authority ward;
- estimates of the additional local income and output generated by the local defence sector in the form of visiting trainees and contractors.

Following on from this, the study will present estimates of the **POTENTIAL** economic impacts (both direct and indirect) of the closure, or scaling back, of local defence establishments. This will include setting out in detail the potential 'scenarios' that may impact upon individual bases so that the likely impacts of any changes can be observed at both aggregated and disaggregated levels. Scenarios to be investigated include:

- Potential change scenarios for various Gosport based establishments including those that are highly likely, such as the closure of Haslar hospital and HMS Sultan and, for other establishments, those that are more speculative.
- The impact of the MoD's recent decision to retain, but rationalise employment at Portsmouth Naval Base. This will also include the likely implications of the recent confirmation of the decision to partly construct and base-port the new 'super carriers at Portsmouth Naval Base and the implications of this decision for the Borough economy.

The second section gives a broad profile of the main defence establishments in Gosport and their importance to the local labour market.

Chapter 2 - Defence Establishments in Gosport and surrounding area

The local economy in Gosport is heavily reliant on the defence sector, both directly through MoD establishments, and indirectly through firms for whom the MoD is a major client. Below is a summary of the main defence organisations in the Borough and the surrounding area, together with a brief overview of their functions and their current impact on the local labour market.

HMS Sultan

HMS Sultan is a major training base, containing the Royal Navy School of Marine Engineering (RNSME) and the Royal Navy Air Engineering and Survival School (RNAESS). The MoD has announced its intention to relocate these training functions to St Athan in South Wales by 2017, although there is some doubt about the exact timing and scale of this relocation. The Armed Forces Personnel Administration Agency (AFPAA) is also currently located in the Centurion building. Situated in the central Brockhurst ward, the 57.5 hectare site contains two protected forts, one of which is a designated Scheduled Ancient Monument. HMS Sultan, including Centurion, is the largest employment generating site in Gosport providing more than 2,500 service and civilian jobs (including trainees).

Haslar Hospital

The last military hospital in the UK, Haslar has been treating patients since the 1750s. Situated in the south east of the Borough, it is has since 2001 been jointly administered by Portsmouth Hospitals NHS trust (PHT) and the MoD, providing healthcare to both military personnel and the local community. The hospital currently employs a total of 660 civilian, contract and service staff. In March 2007, the running of the hospital was wholly transferred to PHT, although the MoD continues to own the site. Haslar is set to close in 2009. In recent years service and civilian employment at the site has reduced significantly as medical services have been rationalised.

Vector Aerospace Helicopter Services Fleetlands (formerly DARA Fleetlands)

On 1st April 2008, the Canadian company Vector Aerospace acquired the helicopter repair business located at Fleetlands for £17m from the Defence Aviation Repair Agency (DARA)[6]. Vector Aerospace is located in the north of the Borough alongside the main A32 access road. It operates on MoD owned land and deals specifically with the repair and maintenance of tri-Service rotary wing aircraft. Vector Aerospace is the largest industrial complex in Gosport and one of the largest in Europe providing more than 1,000 service and civilian jobs.

Fort Blockhouse (formerly HMS Dolphin)

Fort Blockhouse is located in Anglesey ward. Formerly known as HMS Dolphin, it was once the headquarters of the Submarine Service. The Submarine Training School relocated to Torpoint, near Plymouth, in 2000. The only remaining link with the Submarine Service is the 30m deep Submarine escape tank which is still in use. The site now houses a range of defence related activities including the headquarters of the Defence Medical Education & Training Agency (DMETA), tri-service sail training and, the submarine museum. It is also used as overspill accommodation for personnel working at HMS Sultan and elsewhere. Once a significant source of local employment, it has dwindled significantly since conventional submarines were phased out and now supports a few hundred jobs.

[6] Vector Aerospace Press Release(1st April 2008) <http://www.vectoraerospace.ca/news.php?id=42&type=release&category= >

DSDA Gosport

DSDA Gosport is located alongside the main A32 access road in the north of the Borough. A large proportion of the 220 hectare site is protected as a designated nature conservation area. It also contains Fort Elson which is classified as a Scheduled Ancient Monument. This establishment provides munitions and maintenance support to the Armed Forces. Employment numbers have been falling over a number of years in line with the general rationalisation in military supply but now appear to have stabilised at approximately 300.

Institute of Naval Medicine (INM)

The Institute of Naval Medicine (INM), located in the south of the Borough, is an information, research and training facility specialising in maritime medicine and health and safety. Research is carried out into naval occupational health, whilst training of medical staff focuses specifically on diving, submarine and radiation medicine. The Institute provides over 200 service and civilian jobs (including trainees); the civilian research and development firm, QinetiQ, also shares facilities on site.

QinetiQ

QinetiQ is located in Anglesey ward, with the bulk of its facilities adjacent to Haslar Hospital. An international firm, it carries out defence research for the UK government alongside work for commercial clients. It was founded in 2001, when the Defence Evaluation and Research Agency (DERA) was split, the majority becoming QinetiQ, with a small proportion forming the Defence Science and Technology Laboratory (DSTL). QinetiQ employs over 300 people, accounting for almost all the research and development employment in Gosport, and makes a significant contribution to the town's high-tech sector.

Oil Fuel Depot

The Oil Fuel Depot is located in Christchurch ward. The depot stores fuel which it supplies to naval vessels and Royal Fleet Auxiliaries (RFAs.) A secure pipeline, which runs through Royal Clarence Yard, links the depot to a fuelling jetty in the harbour. The site employs very few people and its future is tied very closely to that of Portsmouth Naval Base.

Two further sites in Gosport, namely Browndown Training Camp and the former HMS Daedalus, have both been extensively used by the MoD but no longer provide significant direct defence-related employment.

Browndown Training Camp

Browndown Camp is used for training by the Territorial Army, army cadets, and for one-off training sessions with members of the public. It is located in a designated Site of Special Scientific Interest (SSSI) positioned to the west of the Borough adjacent to Lee-on-the-Solent. Training includes the use of a live firing range and beach landing exercises. The site provides no direct employment and maintenance work is carried out by contractors and MoD staff stationed at other local establishments

Former HMS Daedalus

HMS Daedalus at Lee-on-the-Solent started life as a flying boat base and later housed the Royal Navy Air Engineering School. Deemed surplus to requirements by the MoD, the land was subsequently purchased by the South East England Development Agency (SEEDA) and the Maritime and Coastguard Agency (MCA) in 2006. The airfield is still in use and part of the site was retained for the construction of MoD married quarters. Land on the airfield periphery is subject to the development of a comprehensive master plan focusing on mixed use and employment generation.

Three further defence sites are important to employment in Gosport and although they are located outside the Borough they generate significant levels of employment for local people. These are Portsmouth Naval Base, HMS Collingwood and Southwick Park.

HMNB Portsmouth

Portsmouth Naval Base has been variously described as the largest industrial complex in Europe and the home of the Royal Navy. The base covers an area of 120 hectares and provides almost 17,000 direct jobs (including service personnel on ships) and its activities support around 35,000 jobs across South Hampshire via the defence supply chain and multiplier. It is estimated that around 1,250 of the direct jobs at the base are filled by Gosport residents both service and civilian.

HMS Collingwood

HMS Collingwood is the largest naval training establishment in Western Europe and the main base of the Maritime Warfare School (MWS.) It is located in Fareham Borough on its southern border with Gosport. HMS Collingwood is expected to be largely unaffected by the plans to form a tri-service training campus at St Athan. HMS Collingwood provides jobs for around 600 of Gosport's service and civilian population out of its total of 2,800 staff and trainees.

Southwick Park

Southwick Park, located near Fareham, is a tri-service training base for the Defence College of Police and Personnel Administration. It is also the regimental HQ for the Royal Military Police. The workforce at Southwick Park consists of a permanent military garrison, and civilian support personnel of around 100.

Having identified the purpose and extent of the defence establishments located within Gosport Borough, the next section of the report considers the nature of the various impacts that these establishments have upon the local economy.

Chapter 3 -The baseline direct, indirect and induced economic impact of the Defence sector on Gosport Borough

The overall economic impact that the defence establishments detailed in Chapter Two have upon the local Gosport economy can be divided into three parts – the direct, indirect and induced effects. To fully understand the importance of the defence sector to the Borough economy all of these effects must be taken into account in any model which is constructed. Figure 3.1 presents a diagrammatic representation of the direct, indirect and induced economic effects of the Gosport defence sector. It is useful to explain what is meant by these terms.

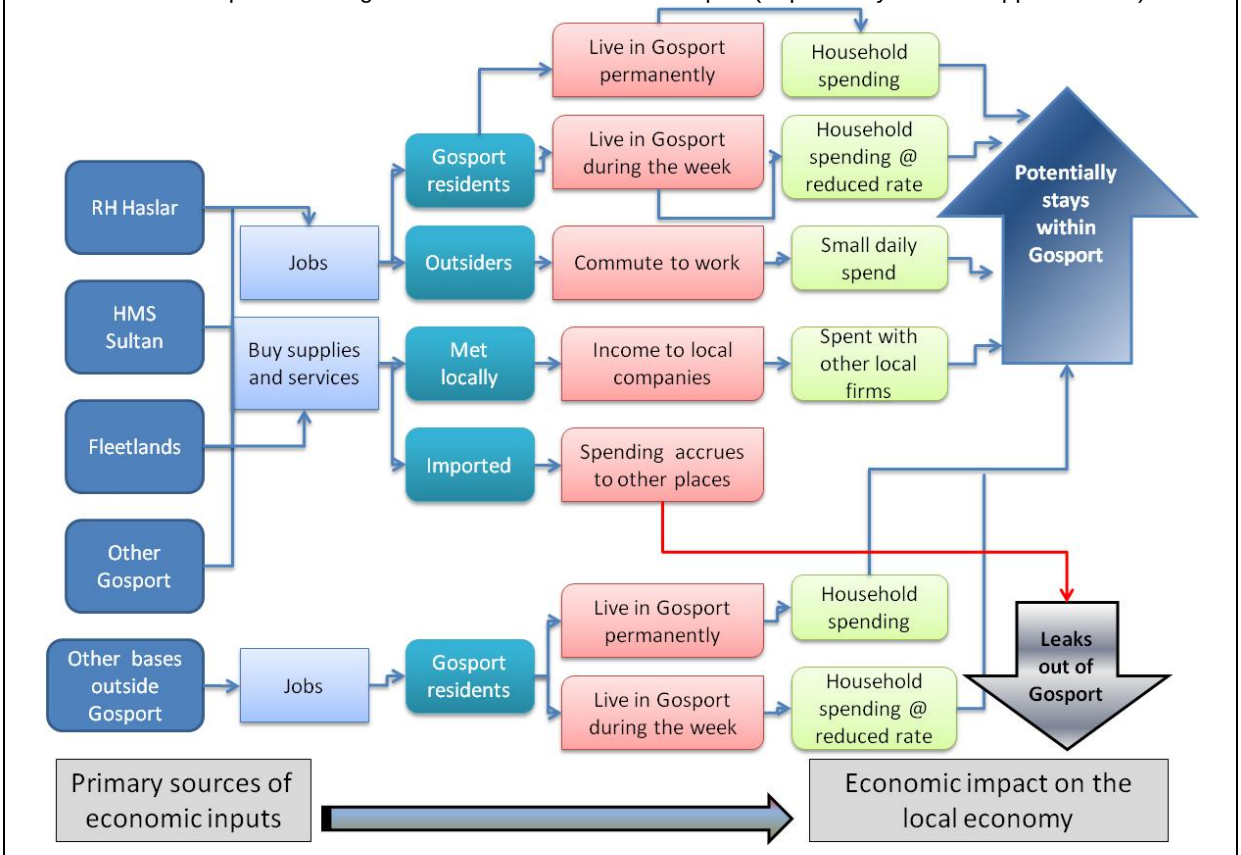
3.1 Direct economic effects

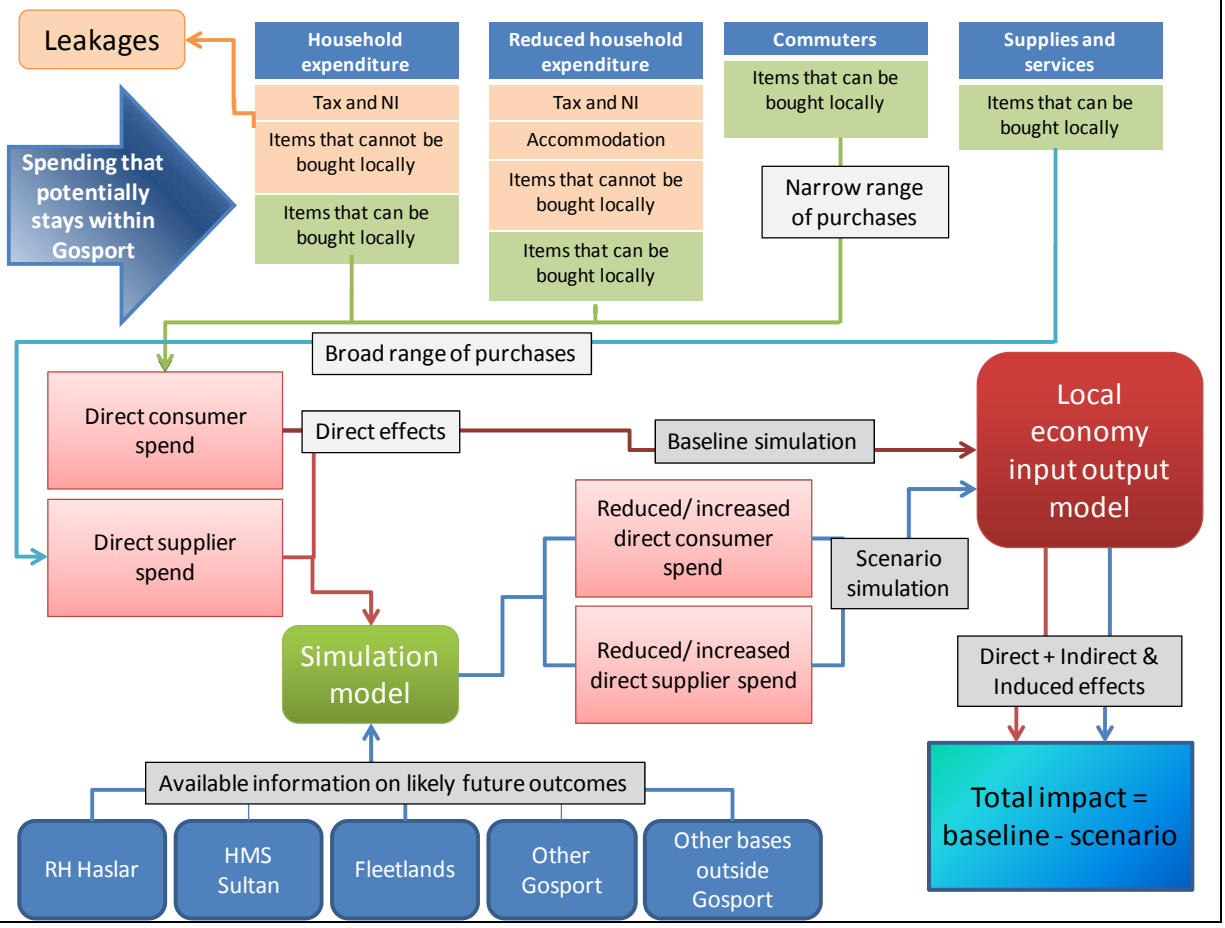
The direct effect that the defence sector has on the Gosport economy can be partly measured through the direct employment that it provides to residents of the Borough and the salaries that it pays these employees (see Figure 3.1.) The income earned as a result of this employment forms part of the disposable income of many households within the Borough. Although it is assumed that these households spend their disposable income entirely within the local economy, the extent to which this occurs in practice depends upon the industrial sectors present in the Borough economy. If a particular industry or sector is absent from the local economy, "leakages" will result as goods are imported from outside of the Borough.

In addition, a significant percentage of defence sector employees live in the Borough only during the week, either on one of the various bases or in private accommodation. These workers will consequently spend part of their disposable income in the Gosport economy during the week, retaining some to spend when they return home at weekends. Whilst the proportion of income spent in the local economy will vary between individuals, it is assumed for the purposes of this study that, on average, those people that only live in the Borough during the week will have available 50% of their disposable income to spend locally within the Borough. Where goods are unavailable locally they will be imported as is the case with permanent residents above. Further to this spending, daily commuters into Gosport Borough can be expected to spend a fixed amount each working day in the local economy. Within this study this is assumed to equate to an average daily direct expenditure of £6 per commuter.

A further 'first-round' effect takes place when the defence establishments directly purchase a proportion of their supplies within the local economy. The magnitude of this effect is dependent upon the structure of the Gosport economy, and in particular, whether any industrial sectors are either not present locally or under-represented. Where this occurs, there may be 'leakages' from the local economy reducing the overall economic benefit of the defence establishments to Gosport.

Figure 3.1 Flowchart illustrating the components of the baseline scenario, and the steps used to analyse the economic impact of changes to the defence sector in Gosport (Explanatory notes in Appendix One)





3.2 Indirect economic effects

Direct demand for products and services used by establishments in the defence sector leads to "knock on" benefits for other local firms. These knock on, or *'multiplier,'* effects continue on as firms in the defence supply chain purchase goods and services from other firms within the Borough (see Figure 3.1.) The overall size of the local multiplier effect depends upon the ability of local firms to meet and supply the needs of the business which themselves supply the defence establishments. If certain industrial sectors are absent, 'leakages' out of the local economy occur, reducing the value of any multiplier effect.

3.3 Induced economic effects

Induced effects are associated with household (or consumer) spending. The defence establishments in Gosport are a major source of employment for the residents of the Borough and the surrounding area. As previously explained, this employment provides a significant boost to local household income, a proportion of which is spent directly by permanent and weekday residents and commuters into the local economy (see Figure 3.1.)

The induced economic effect occurs when this primary spending is further re-circulated as local people are employed in shops and businesses and in the firms that supply goods and services to local shops and businesses. Local businesses will need to restock and staff will be employed to meet this demand. Employees of these firms will, in turn, receive a salary, which they themselves will spend as consumers in the local economy. 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 local consumers.

3.4 Input-Output methodology

The indirect and induced effects of the defence sector on the Gosport economy can be accurately measured by means of input-output analysis (see Figures 3.1 and 3.2.) The model used in this study was specifically constructed to provide an accurate simulation of the structure of, and interactions within, Gosport's economy. Using the latest ABI, APS and DASA data, updated for productivity effects and primary local knowledge, the national input-output tables have been weighted so that they reflect the current industry structure of the Borough economy. The input-output model derived allows us to trace the path of various multiplier effects through the economy, and thus enable a complete picture of the impact of the defence establishments on the local economy to be estimated, both for the baseline simulation and following any changes within the defence sector.

Figure 3.2 Flowchart showing the stages of the Input-Output modelling process

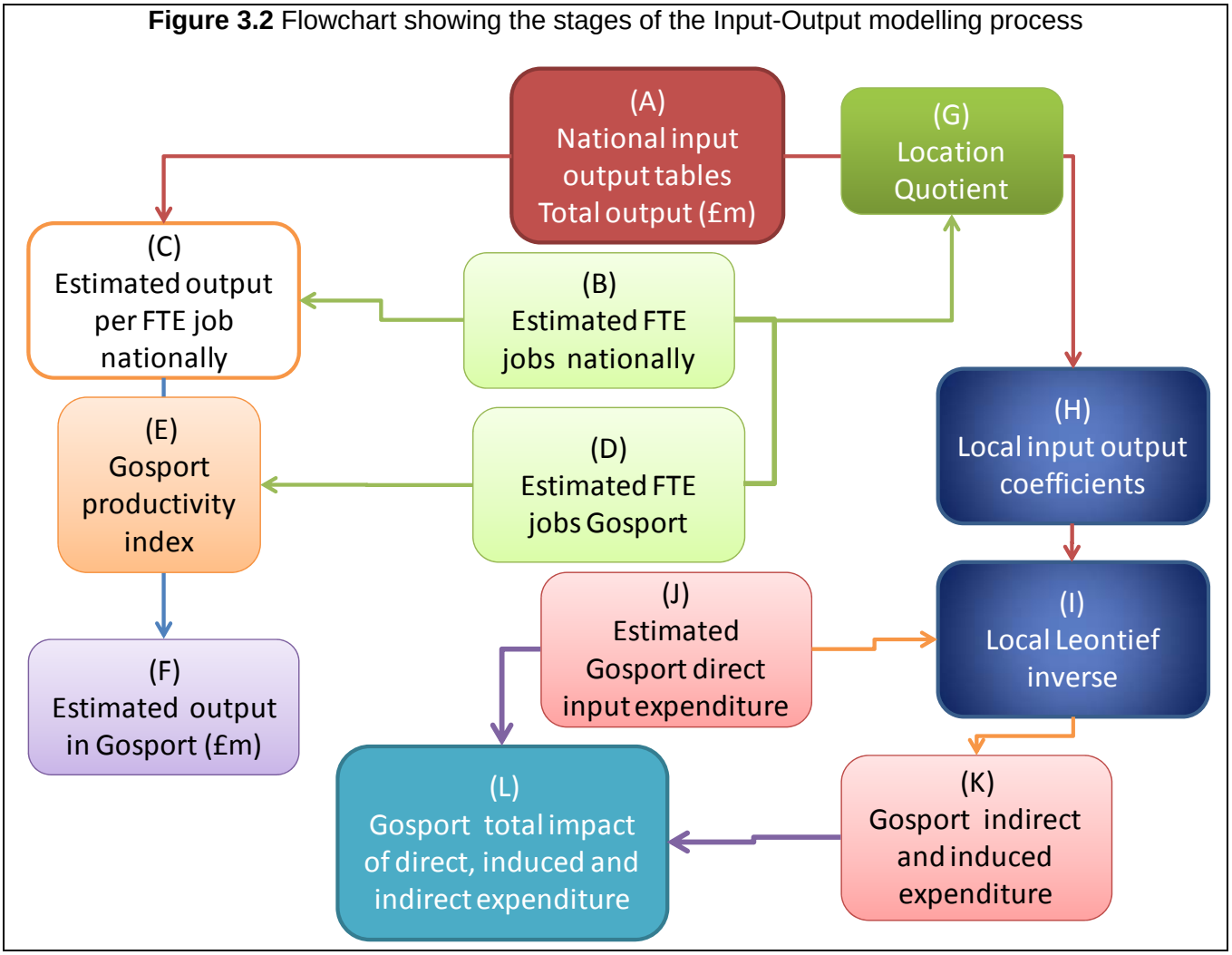


Figure 3.2 illustrates the use of input-output modelling to quantify the direct, indirect and induced economic effects that the defence sector has on the local economy within Gosport. The national input-output tables, published by ONS, divide the economy into 123 industrial sectors, showing national output in £millions for each sector (A in Figure 3.2). The numbers of FTE (full time equivalent) jobs in each sector can be estimated using data from ABI, APS and DASA (B in Figure 3.2); these can then be used to obtain estimated output per FTE job nationally in each of the 123 sectors (C in Figure 3.2). Output for each of the sectors in Gosport (F in Figure 3.2) can be estimated by multiplying the national output per FTE job figures by a Gosport productivity index (E in Figure 2.3) which is based upon the number of local jobs in each of the 123 sectors (D in figure 3.2), weighted by a wage productivity index.

The employment structure within Gosport can be compared to the national employment structure to obtain a local 'Location Quotient'[7] (G in Figure 3.2) which scales the national input-output tables, to derive local input-output coefficients (H in Figure 3.2). This produces

[7] The local Location Quotient (LQ) expresses the relationship between the proportion of employment within a particular industrial sector in Gosport, and the proportion seen in the same sector at a national level. For example, an LQ of 0.5 for a particular sector would indicate that Gosport has half the proportion of employment in that sector than is seen at a national level. Any sector in Gosport which experiences a higher proportion of employment than the national average is given an LQ of 1.

a matrix, which can be manipulated to obtain the local Leontief inverse, which provides a simulation of the interactions within the Gosport economy (I in Figure 3.2).

Primary data on direct spending by the defence establishments and household expenditure (J in Figure 3.2) can then be fed into the model to produce estimates for any resultant indirect and induced expenditure in the local economy (K in Figure 3.2). These can be combined with the direct economic effects to assess the overall impact of the defence establishments on the local economy (L in Figure 3.2), both in terms of the baseline scenario and following any restructuring within the defence sector.

The following section, Section four, estimates the current overall size of the Gosport economy in terms of employment and output at current (2007) prices. The results are presented in the form of sixteen key aggregated sectors, which are built up from the 123 contained within the Borough input-output model.

Chapter 4 - Profile of the 'baseline' Gosport economy

Before examining the contribution of the defence sector, and its related establishments, to the Gosport economy, it is necessary to quantify the current, or 'baseline', level and structure of output and employment in the Borough of Gosport as a whole.

The output figure in £m at 2007 prices (see Table 4.1) relates to all transactions between firms, enterprises and individuals located within Gosport. The CLREA local area output estimates are primarily derived by modelling secondary data derived from four key sources; the national input-output (I-O) supply and use tables; the Annual Business Enquiry (ABI); the Annual Population Survey (APS); and Defence Analytical Services Agency (DASA). The ABI data provides a breakdown of employment by industrial product sector; the raw data has been converted into full-time equivalent (FTE) jobs. As the ABI data excludes the self-employed and those in the armed services, estimated figures for these two groups have been obtained from the APS and DASA. These have been distributed appropriately amongst the various industrial product groupings and added to the ABI data. A comprehensive description of how the 'baseline' output and employment figures have been obtained is provided in Appendix Two.

It should be noted that Table 4.1 shows the estimated number of jobs and expenditure by firms that are located in Gosport. This is not necessarily equivalent to the number of people who live in Gosport who are employed or to the amount that they might spend locally.

It is estimated that the total value of the output in the Gosport economy exceeds £1,939m. The sector at the heart of this study, Public administration and defence, is the second largest in the Borough economy, with a total estimated output of £336m. The largest sector in the Gosport economy, Manufacturing and utilities[8] has an overall output of £458m, and is dominated by four main manufacturing industry groups, namely aircraft, pharmaceuticals, plastics and printing. In addition, four other sectors – Construction, Property letting, Business services and Education and health – each have an output above £100m.

In terms of employment, the leading sector is Public administration and defence providing in the region of 3,900 FTE jobs. This is followed by Education and Health and Manufacturing. In addition, Business Services, Retail, Construction and Hotels and Catering account for more than 1,000 FTE jobs each. Whilst a significant proportion of these positions will be

[8] The 3 SIC classes which collectively form utilities – electricity production, gas distribution and water supply – do not contribute any output or employment to the local economy. For completeness, these have been included in the sector Manufacturing and utilities.

filled by residents of Gosport, a large number of workers also commute into the Borough each working day.

Table 4.1 – Estimated output[1] and employment[2] in the Gosport local economy 2007

	Output £m @2007 prices	Jobs (FTE equivalents)
Primary products	£9.4	100
Manufacturing and utilities	£458.3	3,150
Construction	£135.0	1,300
Private motor vehicle transportation	£25.6	300
Wholesale distribution	£89.1	950
Retail distribution	£76.6	1,550
Hotels and catering	£53.7	1000
Other transport services	£88.0	650
Postal and telecommunications	£26.2	250
Banking and finance	£31.2	200
Property letting and sales	£108.9	350
Business services	£211.4	2,750
Public administration and defence	£336.4	3,900
Education and health	£211.9	3,800
Culture, recreation and sport	£46.6	550
Other services	£30.8	650
Total	£1,939.1	21,450

Source: CLREA, 2007

Note: [1] The output figure is an estimate by CLREA, this is calculated from the national input-output supply and use tables supplied by ONS distributed to reflect the pattern of employment locally and adjusted for local productivity.

[2] The employment figure is based on the 2006 ABI, which has been rolled forward one year and augmented by secondary data on the number of people self-employed (taken from the Annual Population Survey) and those serving in the armed forces (obtained from DASA.)

Having examined the levels of output and employment in the Gosport economy as a whole, the next section of the report focuses on a detailed exposition of the current economic impact, both in terms of employment and expenditure generated, that the defence sector alone has in the Borough.

Chapter 5 -The baseline economic impact of the defence sector on Gosport Borough

The current or 'baseline' scenario, as presented below, indicates the present number of employees, including service personnel, civilians and contractors, working at the principal MoD and defence-related establishments located within, and in close proximity to, Gosport Borough. This is followed by estimates of the gross income, accruing to the Borough, as a result of this employment. In addition, data is provided to illustrate any direct economic effects that the defence establishments provide, through purchasing supplies and services necessary for the running of the individual bases from other firms in the local economy. These figures are run through the model in order to estimate the indirect and induced economic impacts of the defence establishments. All of the above is then summarised, to analyse the cumulative economic effect of the defence sector on the Borough economy.

5.1 Service personnel

According to the latest DASA figures[9] (October 2007), of the 1,800 armed services personnel stationed in Gosport, approximately 1,500 are in the Royal Navy. Personnel stationed in Gosport, constitute around 15% of the 12,100 employed in the whole of South East Hampshire, which comprises Gosport, Fareham, Portsmouth and Havant. Royal Navy servicemen and women in South East Hampshire (including those on ships based in Portsmouth) account for around 95% of the total Navy personnel stationed in the South East, and just over 30% of the UK total.

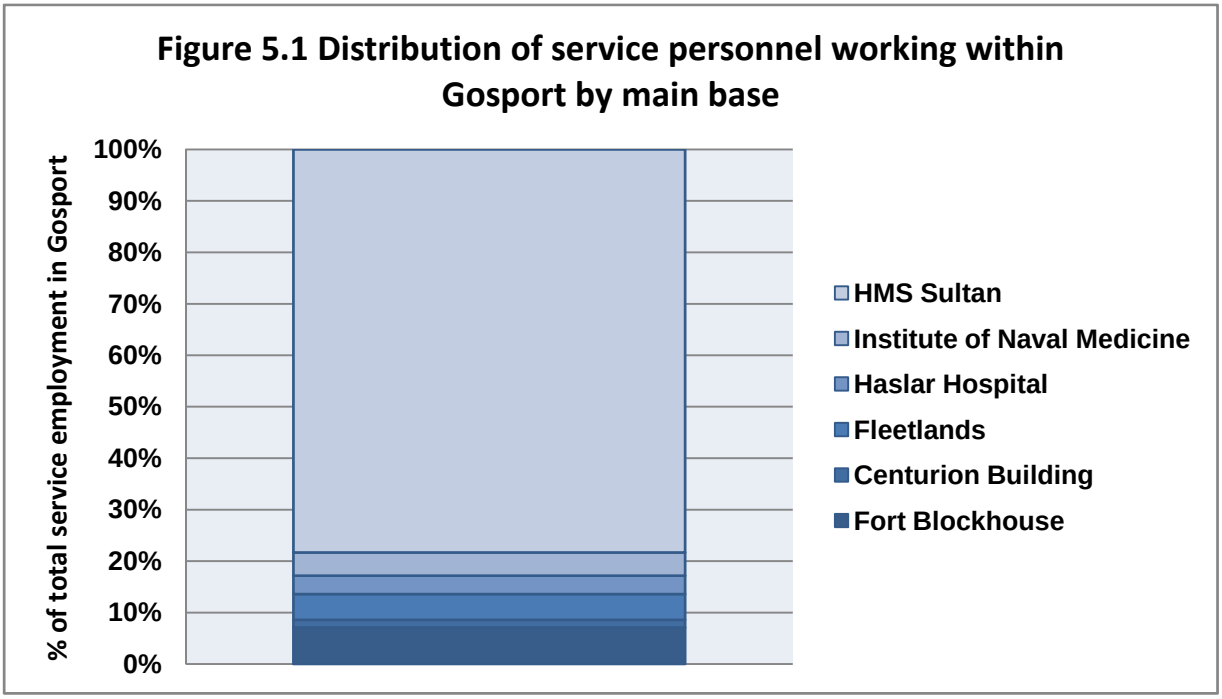
The armed services personnel stationed in local establishments include a significant number of trainees. The length of training varies between individuals, ranging from a few weeks to several years. Whilst individuals form part of a rolling programme of training, the numbers that attend each establishment remains roughly consistent throughout any year. The majority of trainees reside on one of the bases during their period of training. Overall, the workforce, comprising both the permanent military garrison and temporary trainees, falls into three distinct groups - those who live in Gosport permanently, those who live in the Borough during the week (either living on one of the bases or in private accommodation) and may go home at the weekends and those who reside outside of Gosport and commute in on a daily basis.

Primary data supplied by the Service Personnel and Veterans Agency shows that out of a total of 2,250 service personnel whose employment is located in Gosport, 1,400 are undergoing training and 850 are stationed there. Out of the total of 2,250 service personnel, approximately 350 are permanent Gosport residents, 1,300 live in Gosport only during the

[9] Defence Analysis and Statistical Agency http://www.dasa.mod.uk/publications/tsp10/pdfs/tsp10_oct07.pdf

week and the remainder commute into the Borough each working day. Figure 5.1 shows that the majority of direct service employment located within Gosport Borough (78%) is accounted for by HMS Sultan the other five establishments share the residual.

Figure 5.1 Distribution of service personnel working within Gosport by main base



Source: CLREA, 2008

Further to the jobs located in Gosport, there are an additional 1,600 personnel located at HMS Collingwood in the neighbouring Borough of Fareham, over 2,300 at HMNB in Portsmouth and over 5,600 serving on Portsmouth-based ships. Approximately 1,300 of these jobs are filled by permanent Gosport residents.

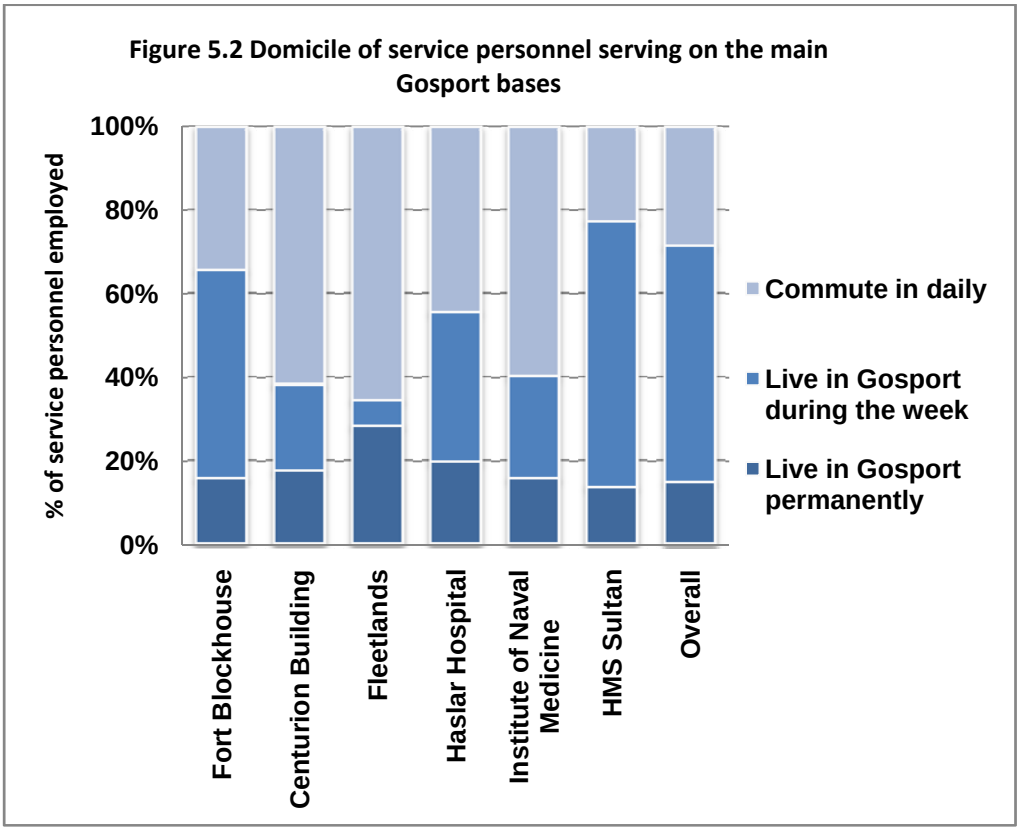
Overall, this means that approximately 1,650 service personnel who have their permanent homes in Gosport work either in the Borough or adjacent areas (including Portsmouth Based ships) and are likely to spend a substantial part of their income locally. At any one time there are approximately 1,300 service personnel who reside in Gosport only during the week (whilst working or training) and will consequently spend part of their income locally. Additionally, the daytime economy is swelled by around 650 daily commuters into the Borough.

The main training establishments in Gosport are HMS Sultan and the Institute of Naval Medicine. HMS Sultan has approximately 1,000 Royal Navy personnel and 300 army personnel undergoing training. The permanent military garrison which supports this training is just over 400 strong, comprising trainers and support staff who oversee the running of the establishment. Of the permanent staff, over 50% commute into Gosport each day, whilst the majority of the remainder reside permanently within the Borough. The Institute of Naval

Medicine has in the region of 70 trainees, supported by around 30 permanent staff, approximately half of whom are resident in Gosport. HMS Collingwood has approximately 600 permanent staff, supporting the training of around 1,000 service personnel. Around 150 of the permanent staff at Collingwood live either full-time or during weekdays in Gosport.

Fifty per cent of the service personnel stationed at Fort Blockhouse live in Gosport only on weekdays, the majority of them staying on the base in Anglesey ward. Of the 80 strong service personnel stationed at Haslar Hospital, around 20% are permanent Gosport residents, 35% live in the Borough during the week and the remainder commute from outside of the Borough. Fleetlands employs just over 100 service personnel, approximately 30% of whom live in Gosport. No service personnel work permanently at DSDA Gosport, Browndown training camp or QinetiQ.

Figure 5.2 shows that overall 56% of service personnel stationed in Gosport live in the Borough during the week and probably go home at weekends, just under 30% commute in on a daily basis; the remainder have their permanent home within the Borough.



Source: CLREA, 2008

The majority of the service personnel who reside in Gosport Borough (including those stationed in adjacent districts and Portsmouth), either on a permanent basis or on weekdays, live in close proximity to the major bases, primarily in the Anglesey, Brockhurst, Rowner and

Holbrook and Grange wards (see Table 5.1). A significant proportion of those service personnel who are resident during the week in either the Anglesey or Brockhurst wards live on the base itself.

Table 5.1 - Residency of service personnel in Gosport by ward

Ward of residence	Number of service personnel	Ward of residence	Number of service personnel
Alverstoke	100	Hardway	125
Anglesey	200	Lee East	125
Bridgemary North	25	Lee West	75
Bridgemary South	75	Leesland	75
Brockhurst	1250	Peel Common	25
Christchurch	100	Privett	75
Elson	75	Rowner and Holbrook	300
Forton	75	Town	75
Grange	175	**TOTAL**	2950

Source: CLREA, 2008
Note: Residence figures rounded to nearest 25

BOX 5.1: MoD Training programmes in Gosport

A wide range of training programmes are undertaken by service personnel of varying levels of experience at the naval bases located within and in close proximity to Gosport Borough. At the RN Air Engineering and Survival School (RNAESS) based at HMS Sultan, training takes place in aeronautical engineering including communications and radar, weaponry and survival techniques. Technicians are also trained in all aspects of aircraft and helicopter construction and maintenance. At the same base, the RN School of Marine Engineering (RNSME) delivers progressive training in engineering craft skills, alongside marine engineering training and specialist instruction for personnel serving in nuclear submarines. The Nuclear Department at HMS Sultan also delivers courses for both service personnel and civilians in nuclear engineering and safety. Specialist medical training, including courses on radiation medicine, is offered at the Institute of Naval Medicine to both medical and non-medical service personnel as part of their continuing professional development. HMS Collingwood, the largest naval training establishment in Western Europe, is the main base for the Maritime Warfare School (MWS.) Service personnel undertake a variety of training programmes ranging from introductory courses to more advanced team training alongside instruction in all aspects of navigation, naval warfare and weaponry. Many of the training programmes at the various bases incorporate the use of sophisticated computer based simulation packages and equipment.

The total net salary earned by service personnel who are permanently resident in Gosport is in the region of £34.6m, (the assumptions underlying this calculation are set out in Appendix Three)**,** of which just under £9m is generated by jobs located within the Borough (see Table 5.2). This income, which is part of the direct effect of the employment provided by the defence sector in Gosport, is assumed to be wholly spent within the Borough economy. Clearly, in reality this is subject to leakages from the economy, as Borough residents will inevitably spend a proportion of their income outside of the local economy; this is accounted for by using an adjusted household expenditure scalar.

Training support staff and those manning other bases, living in Gosport on a temporary basis during the week, are assumed to spend up to 50% of their disposable income within the Borough (again subject to expenditure leakages out of the local economy). These people, who are thought to return to their home towns most weekends and during holidays, generate £2.7m of direct spending for the local economy. Trainees, who live on the various naval bases, are also assumed to spend half their disposable income locally. It is estimated that they generate approximately £8m of potential spending for the Gosport's economy. Personnel who commute into the Borough on a daily basis spend considerably less, but in total (assuming a daily expenditure of £6 per head) generate around £900,000 for the local economy (see Table 5.2 below).

Table 5.2 – The economic impact of the employment of service personnel by the defence establishments located within, and in close proximity to, Gosport Borough

Gosport based establishments only		**Employment**	**Potential induced spending (£'000)**
Permanent Gosport resident		350	£8,939
Weekday Gosport resident	*Permanent military garrison*	250	£2,431
	Temporary Trainees	1,050	£7,902
Commute into Gosport		650	£ 896
Total employment/income generated in Gosport-based establishments		**2,300**	**£20,168**
Establishments based outside of Gosport			
Employed at HMNB Portsmouth	*Permanent Gosport resident*	350	£8,563
Employed on Portsmouth-based ships	*Permanent Gosport resident*	750	£12,032
Employed at HMS Collingwood and other bases	*Permanent Gosport resident*	200	£5,071
	Weekday Gosport resident	50	£ 303
Total employment/income generated outside of Gosport		**1,350**	**£25,969**
Total income to Gosport economy			**£46,137**

Source: CLREA, 2008

Note: Employment figures rounded to nearest 50, potential spend to nearest £1,000

In addition to the income generated by employment within Gosport, the 1,350 service personnel who have their home in Gosport but work in establishments (or on ships) just outside of the Borough can be expected to spend the majority of their income locally. Our estimates suggest that around £26m of potential spending is generated from these sources[10]. Overall, armed service employment generated by defence establishments within Gosport and the surrounding area are estimated to generate £46m for the local economy per annum; £20m of which is as a result of employment directly located within the Borough (see Table 5.2).

5.2 Civilian personnel

The defence establishments located, within and in close proximity to, Gosport employ a number of civilian staff. Some of these personnel live permanently in Gosport whilst working at one of the defence establishments within or near to the Borough. Others live outside of Gosport, commuting to one of the various defence establishments each working day. Clearly, a significant proportion of the employees who work at defence establishments located just outside of the Borough, for example HMS Collingwood or HMNB Portsmouth, do not live in the Borough and are excluded from the analysis.

Table 5.3 (below) shows that the civilian staff employed by the various defence establishments, both within and adjacent to Gosport, live right across the Borough.

Table 5.3 - Residency of civilian personnel in Gosport by ward

Ward of residence	Number of civilian personnel	Ward of residence	Number of civilian personnel
Alverstoke	125	Hardway	225
Anglesey	100	Lee East	125
Bridgemary North	175	Lee West	75
Bridgemary South	175	Leesland	175
Brockhurst	175	Peel Common	150
Christchurch	150	Privett	125
Elson	200	Rowner and Holbrook	175
Forton	175	Town	100
Grange	125	**TOTAL**	2550

Source: CLREA, 2008
Note: Residence figures rounded to nearest 25

[10] The calculation of the potential spending by those serving on Portsmouth-based ships takes into account the average time ships in each class spend away from their base-port and the potential loss of spending to the local economy.

The total net salary earned by civilian personnel who are permanently resident in Gosport is in the region of £45m, (see Appendix Three for an explanation of the assumptions underlying this calculation,) of which £28.7m is generated by jobs located within the Borough (see Table 5.4). This income is assumed to be wholly spent within the Borough economy but would again be subject to leakages which are accounted for in the model by using an adjusted household expenditure scalar.

Personnel who commute into the Borough on a daily basis spend considerably less, but in total (assuming a daily expenditure of £6 per head) generate around £1.9m for the local economy (see Table 5.4 below).

Table 5.4 – The economic impact of the employment of civilians by the defence establishments located within, and in close proximity to, Gosport Borough

Gosport based establishments only		**Employment**	**Potential induced spending (£'000)**
Permanent Gosport residents		1600	28,682
Commute into Gosport		1400	1,900
Total employment/income generated in Gosport-based establishments		**3000**	**30,582**
Establishments based outside of Gosport			
Employed at HMNB Portsmouth or Historic Dockyard	*Permanent Gosport residents*	650	11,345
Employed at HMS Collingwood	*Permanent Gosport residents*	300	4,951
Total employment/income generated outside of Gosport		**950**	**16,296**
Total income to Gosport economy			**46,878**

Source: CLREA, 2008
Note: Employment figures rounded to nearest 50, potential spend to nearest £1,000

In addition to the income generated by employment within Gosport, the 950 civilian personnel who live in Gosport but work in establishments located outside the Borough can be expected to spend the majority of their income locally. Our estimates suggest that around £16m of potential spending is generated from these sources. Overall, employment of civilian staff by the defence establishments located within, and in close proximity to, Gosport is estimated to generate £46.9m for the local economy per annum; £30.6m of which is as a result of employment directly located within the Borough (see Table 5.4).

5.3 Contractors

In addition to those individuals, service personnel or civilians, who are employed directly by the various defence establishments within, and in close proximity to, Gosport, a number of workers are employed by local firms which are contracted to provide a service to the defence establishments. This employment is also part of the impact that the defence establishments

have on the local economy. Contractors carry out a wide variety of functions ranging from cleaning, catering and construction to training, computer and management consultancy and specialist technical engineering.

The total net salary earned by contractors to the various defence establishments who are permanent Gosport residents is approximately £11.4m, (see Appendix Three for the assumptions underlying this calculation), of which £5.9m is generated by jobs located within the Borough (see Table 5.5). This income is assumed to be wholly spent within the Borough economy but, as before, would be subject to leakages from the local economy, which are accounted for by using an adjusted household expenditure scalar.

Contractors who commute into the Borough on a daily basis are assumed to have a daily expenditure of £6 per head and, as a result, generate approximately £0.5m for the local economy (see Table 5.5 below).

Table 5.5 – The economic impact of the employment of contractors by the defence establishments located within, and in close proximity to, Gosport Borough

Gosport based establishments only		**Employment**	**Potential induced spending (£'000)**
Permanent Gosport resident		500	5,868
Commute into Gosport		400	540
Total employment/income generated in Gosport-based establishments		**900**	**6,408**
Establishments based outside of Gosport			
Employed at HMNB Portsmouth or Historic Dockyard	*Permanent Gosport resident*	250	4,193
Employed at HMS Collingwood	*Permanent Gosport resident*	150	1,315
Total employment/income generated outside of Gosport		**400**	**5,508**
Total income to Gosport economy			**11,916**

Source: CLREA, 2008
Note: Employment figures rounded to nearest 50, potential spend to nearest £1,000

In addition to the income generated by employment within Gosport, the 400 contractors who live in Gosport but work in establishments located outside the Borough can be expected to spend the majority of their income locally. Our estimates suggest that these individuals generate around £5.5m of potential spending.

Overall, employment of contract staff by the defence establishments located within, and in close proximity to, Gosport is estimated to generate £11.9m for the local economy per annum; £6.4m of which is as a result of employment directly located within the Borough. It is likely that if, and when, any of the defence establishments relocate away from Gosport, different contractors would be sourced at the new location. Consequently, such a move

would have serious implications for the continuation of the jobs currently being carried out by employees of Gosport-based contractors.

5.4 Suppliers

The defence establishments located within Gosport purchase a proportion of the various supplies that they require in the Borough economy. This is an example of a direct effect that the defence sector has on the local economy. It creates an increased demand for the local firms which supply these products, and so-called *'multiplier effects'* which will continue on as firms further down the supply chain purchase goods and services from other firms within the Borough. The overall size of the local multiplier effect will depend upon the structure of the local economy and its ability to meet and supply the needs of the defence sector establishments. The smaller the local economy, the more likely it is that some supplies and services will have to be imported from outside the area when those industry sectors are not present in the local economy. Any such "leakages" out of the local economy will reduce the value of the multiplier effect.

Table 5.6 summarises the value of the supplies purchased by location for each defence establishment. Primary data was only available for Fleetlands. The figures for the remaining establishments have been calculated using MoD accounts, and adjusted relative to the size of each establishment. The distribution of the spending is assumed to be broadly equivalent to that of Fleetlands.

Table 5.6 – The location of suppliers to the defence establishments located within Gosport Borough

	Within Gosport (£'000)	Outside of Gosport (£'000)	TOTAL (£'000)
HMS Sultan	1,413	19,485	20,898
Haslar Hospital	449	6,192	6,641
Institute of Naval Medicine	141	1,945	2,086
DSDA Gosport	205	2,828	3,034
Fort Blockhouse	113	1,559	1,672
Centurion	192	2,650	2,842
QinetiQ	143	1,971	2,114
Fleetlands	752	9,900	10,652
Oil Fuel Depot	5	68	73
TOTAL (£'000)	3,413	46,598	**50,012**

Source: CLREA, 2008
Note: Supplier spend is rounded to the nearest £1,000

Based on the Fleetlands data, the leakages from the local economy are extensive, amounting to over 90% of the supplies purchased by the various establishments. Consequently, an estimated £46.6m of spending on supplies and services leaks out of the Borough economy per annum. This is primarily due to internal purchases within the various trading accounts of the MoD and the specialised nature of the type of goods and services that are required.

5.5 The cumulative impact of the defence sector on the Gosport economy

The data given in Sections 5.1-5.4 can now be used to calculate the total direct economic impact that the defence establishments are estimated to have on the local Gosport economy. This is shown in Table 5.7.

Table 5.7 – The cumulative direct impact of the spending by various defence establishments on the Gosport economy

	TOTAL (£'000)
Income to Service Personnel	46,137
Income to Civilian Personnel	46,878
Income to Contractors	11,916
Purchase of supplies/services	3,413
TOTAL (£'000)	**108,344**

Source: CLREA, 2008

Given the structure of the Gosport economy, it is inevitable that a significant proportion of this total will be lost through leakages. Approximately 50% of the total potential household spend leaks out of the economy; this includes spending on imports into the UK. The effect of these leakages is to reduce estimated first round spending to around £55.8m per annum.

In order to calculate the total baseline impact of the defence establishments located within and around Gosport, it is necessary to supplement the direct economic effect of the bases, with their indirect and induced effects on the local economy.

The indirect economic impact of the defence establishments results from *'multiplier effects'* as businesses in the defence supply chain purchase goods and services from other firms within the Borough. The size of the multiplier depends upon the structure of the Borough economy. This will determine the magnitude of any 'leakages' out of the local economy, which will reduce the indirect economic effect.

The induced economic effect is measured by estimating how much of the disposable income of defence sector employees is likely to be re-circulated in the local economy, through these

individuals patronising local businesses. This is done using local household expenditure patterns which are obtained from national tables, and adjusted to the distinct features of the local Gosport economy[11]. Once again a multiplier effect occurs, as this spending results in local people being employed in shops and businesses, and in the firms that supply the goods to local businesses. Employees of these firms will, in turn, receive a salary, which they themselves will spend as consumers in the local economy. The value of the multiplier effect will be dependent upon the ability of local firms to supply the needs of local consumers.

By running the primary data through the input-output model, estimates for the indirect and induced effects can be obtained. These effects are measured for the broad industrial sectors present in the local economy. By calculating the current level of output per full-time equivalent (FTE) job for each of these broad sectors, it is possible to estimate how many additional jobs are supported by the increased output in each of the sectors due to the multiplier effect.

Table 5.8 – Baseline impact of local spending derived from the employment of Gosport residents at defence establishments located within and in close proximity to the Borough

	Direct Effect (£'000)	Multiplier Effect (Indirect+Induced) (£'000)	Additional Jobs Supported
Primary products	477	284	11
Manufacturing and utilities	4,330	4,639	74
Construction	1,040	2,275	32
Private motor vehicle transportation	3,031	522	40
Wholesale distribution	5,638	1,212	73
Retail distribution	12,762	4	257
Hotels and catering	4,813	337	95
Other transport services	1,251	3,573	44
Postal and telecommunications	831	714	14
Banking and finance	409	812	7
Property letting and sales	10,019	1,633	21
Business services	738	3,875	63
Public administration and defence	2,462	166	31
Education and health	3,190	1,400	81
Culture, recreation and sport	3,159	840	47
Other services	1,648	345	12
TOTAL (£'000)	55,797	22,630	901

Source: CLREA, 2008

[11] For instance if relative employment in the Retail sector in Gosport were only half of that of the national economy, then households would be assumed to make half of their purchases outside of the Borough.

Table 5.9 - Baseline economic impact of the defence sector on Gosport Borough

	Service Personnel			Civilian Employees Including contractors		Expenditure Within The Local Economy			
ESTABLISHMENT	Number Employed	Trainees	*of which* Resident in Borough[1]	Number Employed[4]	*of which* Resident in Borough	By Service Employees and Trainees[2]	By Civilian Employees[2]	By Establishment on Goods and Services	Total Local Expenditure
Blockhouse	160	*na*	105	227	122	£1,759,049	£1,843,641	£174,057	£3,776,748
Centurion	34	*na*	13	284	152	£358,077	£2,355,587	£192,233	£2,905,897
DSDA	na	*na*	na	340	232	*na*	£3,439,688	£205,172	£3,644,860
Fleetlands	113	*na*	39	999	465	£1,005,090	£9,344,805	£751,893	£11,101,789
Haslar	81	*na*	45	581	312	£812,984	£5,277,201	£330,863	£6,421,047
Institute of Naval Medicine	28	74	19	163	87	£1,468,233	£1,474,069	£141,094	£3,083,396
Sultan	439	1,331	358	818	489	£14,763,529	£8,980,511	£1,413,407	£25,157,448
Qinetiq	*na*	*na*	*na*	335	180	*na*	£3,108,773	£142,943	£3,251,716
Oil Fuel Depot	*na*	*na*	*na*	9	5	*na*	£74,292	£4,929	£79,221
QA[3]	37	*na*	16	*na*	*na*	£427,734	*na*	*na*	£427,734
Southwick Park[3]	42	*na*	4	*na*	*na*	£57,526	*na*	*na*	£57,526
Collingwood[3]	594	995	202	1170	411	£4,889,098	£6,265,546	*na*	£11,154,644
HMNB[3]	2308	*na*	352	5,620	900	£8,563,208	£15,537,744	*na*	£24,100,952
Portsmouth-based ships[3]	5680	*na*	755	*na*	*na*	£12,032,352	*na*	*na*	£12,032,352
Total net direct jobs	9,516	2,400	1,908	10,545	3,354	£46,136,879	£57,701,859	£3,356,592	£107,195,330

Notes:
1 This includes both Permanent residents and those who only stay during the week
2 This includes the daily spend of commuters who live outside borough
3 These establishments are located outside the borough in neighbouring authority areas
4 This figure includes both full time and contract staff

Leakage from local economy	£52,024,543
1st round spending within the local economy	£55,170,786
Overall induced expenditure	£20,834,477
Overall indirect expenditure	£1,541,344
Grand total local expenditure	£77,546,608
All jobs within the local economy	
Direct defence related FTE jobs in Borough	6,015
Overall multiplier effect FTE jobs in Borough	891
Grand total FTE jobs in Borough	6,906

Source: CLREA, 2008

Having estimated the direct, indirect and induced effects of the defence establishments on the local Gosport economy, it is possible to calculate the total baseline economic impact of the bases on Gosport Borough (Table 5.9.)

Table 5.9 shows that in addition to the post-leakage first round spending which was calculated earlier to be £55.2m, the induced economic impact of the defence establishments is approximately £20.8m and their indirect economic impact is £1.55m. This results in an overall local economic impact for the defence sector of approximately £77.5m.

Currently there are 6,015 jobs within, and in close proximity to Gosport Borough, which are directly dependent on the defence sector. If the additional jobs which are supported by the indirect and the induced economic effects of the defence sector are added to this figure, we reach a grand total number of local defence related jobs of just over 6,900.

The baseline scenario has shown the economic impact that the defence establishments currently have on Gosport Borough. The next chapter of the report changes the focus from the present day to highlight the possible scenarios for the future of the defence establishments located within, and in close proximity to, Gosport Borough. This will further lead on to a quantitative analysis of what economic impact any future changes to the defence sector might have on Gosport.

Chapter 6 -The future of the defence sector in Gosport

6.1 Scenario Modelling

Having identified the current 'baseline' impact of the defence sector within Gosport, this next section of the report examines the potential economic impact of changes within the defence sector upon the Borough economy. There has been much discussion about the potential rundown or closure of local defence establishments. If, or when, such events occur the resulting consequences for the local economy are likely to be far reaching. In addition to the obvious direct impacts upon employment and local income, there will also be less obvious, but no less important, indirect impacts upon the local economy. These indirect impacts arise due to 'knock on' effects that run through the defence supply chain and reductions in household expenditure as employees relocate out of the area or are made redundant.

In order to model the extent of any potential changes it is important to recognise that the economic impact upon the Gosport economy of closure or rundown will vary from establishment to establishment. Key factors influencing the impact of any change include:

- The nature of the operations undertaken by individual establishments; e.g. health care, training, research and development and whether they are 'location inelastic'[12];
- The proportion of employees who are relocated or made redundant and the number who live within the Borough boundaries as well as their associated income levels;
- The extent and nature of the impact of supply chain expenditure within the Borough economy, particularly the type and value of locally purchased goods and services.

Given the complexity of these economic impacts, a number of different scenarios will be investigated. Whilst individual scenarios are analysed in isolation, they can of course be combined in order to estimate the 'aggregate' impact of possible future changes. The methodologies used to analyse the impact of possible changes is a combination of scenario modelling and input-output analysis.

'Scenario Modelling' (see Appendix Four) allows us to estimate the potential direct effects of any future changes upon local employment and income over a period of 10 years, 'relative to the current baseline'. These scenario estimates are based upon an agreed set of

[12] Location elasticity refers to whether or not a product, or service, has to be supplied locally. For example a deep water port is 'location inelastic' as there are only a relatively few locations that possess the required attributes. By contrast, 'generic military engineering training' is 'location elastic' as it can be supplied almost anywhere.

assumptions[13] about the likely nature and extent of any future expansion, rundown or closure upon the activities, employment and expenditure of the establishment being modelled.

Whilst scenario modelling allows us to estimate the extent of direct changes in income and expenditure, 'Input-Output Analysis' provides us with the means to estimate the further indirect and induced effects of these changes. As identified in the previous section of this report, the direct employment and expenditure of local defence establishments has further economic consequences for the local economy due to the existence of 'multiplier' effects. Money spent by local defence establishments upon the purchase of goods and services from local suppliers will create 'indirect' effects as these suppliers purchase their own materials and services from other local businesses. Similarly, income earned by employees of these defence establishments will create further 'induced' effects through spending locally on household and leisure goods and services. In both cases a proportion of these indirect and induced expenditures will leak out of the local economy if the goods and services required are not available locally and have to be purchased outside of the local economy[14]. The production and supply of the goods and services generated by the multiplier effect in turn secure local jobs of those who produce and supply the goods.

By simulating the structure of the Borough economy the CLREA input-output model allows us to estimate the value of the indirect and induced effects resulting from any particular scenario that is being modelled. The estimated direct changes in local income and expenditure from a scenario form the input into the I-O model which then estimates the output in the form of the indirect and induced income and the resultant additional employment that is generated.

[13] The assumptions used for each scenario have been discussed with the individual establishments concerned and Gosport Borough Council. Whilst these assumptions represent current 'best estimates' of the likely course of future events, the degree of uncertainty that is inevitably associated with long-run planning in large and complex programmes of change suggests that these could alter significantly in the future. However, the main purpose of the scenario model is to show the likely realistic consequences of an event, given a particular set of assumptions, rather than suggest a firm outcome that will prevail. Scenario modelling allows us to run different scenarios and assumptions and thus estimate the sensitivity of forecasts to different assumptions.

[14] Both household and defence establishment purchases may be 'imported' from outside of the Borough economy for reasons of either cost or availability. The purchases of defence establishments may be 'specialist' in nature and thus not available locally, or goods and services demanded by households may not be supplied by local firms. In either case, the net result is that the associated expenditure will leak out of the Borough economy as the goods and service are imported from elsewhere.

6.2 Evidence base for potential change at defence establishments in and around Gosport

The defence estate is continually changing. In the past these changes were usually related to perceived operational needs and potential threats but over the last 25 years the focus of reorganisation has been more overtly driven by the need to make efficiency savings. Gosport has experienced the downsizing and closure of bases over a number of years most recently with the closure of HMS Daedalus. But there have often been compensating expansions that have in effect "sweetened the pill" such as the relocation of Air Engineering to HMS Sultan, and the centralisation of tri service medicine at RH Haslar. The Gosport defence estate is once again in the firing line, but this time there is no apparent prospect of any long-term expansions at the remaining bases.

The situation is perhaps best illustrated by the proposed changes to the provision of defence related training. In November 2004 bids were invited for two long-term contractual packages to deliver specialist training on a defence-wide basis[15]. These bids were invited as part of the government's Defence Training Review Rationalisation Programme. In January 2007 the Defence Minister Des Browne announced that both packages were to be awarded to the Metrix consortium[16]. However, in January 2008 Metrix had its 'provisional preferred bidder' status for package 2 removed. Package 1 provides for the delivery of aeronautical engineering, electro-mechanical engineering and communications and information systems training. This directly affects the training provided at HMS Sultan[17].

Below the current evidence base is examined in an attempt to discern the likely impact on each of the main MoD bases in and around Gosport. Multiple sources have been used to obtain the clearest possible picture but inevitably some evidence is not in the public arena and will not therefore be included. We begin by examining those establishments in Gosport that are most likely to be under threat of closure or rationalisation, before examining those just outside the Borough that provide substantial local employment.

Whilst the analysis in this report concentrates on the economic impact, it should be remembered that changes to the pattern of employment also have other less obvious spill-over effects. For instance, although it is highly likely that many of the jobs currently located at Haslar Hospital may be relocated to Queen Alexandra Hospital (QA,) with only a minimal

[15] This is often referred to 'tri-service training' relating to standardised training for the army, navy and air force personnel in a single programme rather than carried out by each service individually.
[16] The Metrix Consortium have been awarded 'preferred bidder' status for package 1 and 'provisional preferred bidder' status for package 2.
[17] HMS Sultan currently provides marine engineering training for the Royal Navy. Package 2 deals with the provision of training for logistics and personnel administration, policing and guarding, security, languages, intelligence and photography and as such will have little or no impact upon either HMS Sultan or HMS Collingwood.

negative impact on household expenditure; the increase in out commuting will inevitably exacerbate traffic congestion. Similarly, any new firms attracted into the Borough on the back of the release of MoD land may provide local benefit through the provision of new job opportunities but may also attract inbound commuters. Thus the additional congestion created may put a strain on other business in the town as major routes become increasingly gridlocked at peak times.

HMS Sultan

The training contained within package 1 is currently provided at nine locations, involving a total of 3,500 military and civilian staff who instruct up to 6,500 military trainees at any one time. Over a five-year transition period starting in late 2008, Metrix proposes to rationalise this provision onto just two major sites, St. Athan and HMS Sultan. The current intention is that Marine engineering training will remain at HMS Sultan until 2017 when that will also relocate to St. Athan. However, the exact timing and scale of this relocation is still subject to discussion and confirmation and may change over time. One advantage of the scenario model developed as part of this study is that the consequences of any change in the scale and timing of the relocation plans can easily be accommodated. The likely consequence of the currently proposed plans is that HMS Sultan will probably see a short term increase in employment and training numbers as mainly army personnel relocate to the site (some are already there), but in the longer term (post 2017) the likelihood is that the site will rundown significantly as its main military training functions transfer to St Athan.

In recent years, as armed service numbers have reduced, the training provision offered at HMS Sultan has become more diversified. Whilst HMS Sultan has for many years provided training for personnel from foreign navies, more recently it has also branched out to provide specialist training for staff and apprentices from a number of commercial UK companies that make substantial use of electro-mechanical engineers. Currently, much of naval training at Sultan is provided via a public/private partnership with the private sector company 'Flagship Training Ltd[18], this generates income for the Royal Navy as well as utilising underused facilities. Flagship, whose headquarters are in Portsmouth, also provides logistical support at all the Royal Navy's main training establishments. It is currently unclear whether or not the commercial ventures will continue if and when military training relocates as planned in 2017.

[18] Flagship Training Limited is a joint venture between BAE Systems and VT Group, the company was formed in 1996 with a remit to deliver support services, reduce expenditure and generate income for the Royal Navy. It employs around 1,500 personnel (1,200 at naval establishments) and has around 400 customers both military and commercial.

RH Haslar

Although the MoD continues to own the RH Haslar site, control of the hospital was finally transferred to Portsmouth Hospital Trust (PHT) in March 2007. Military medical personnel who work alongside civilian staff will continue to work at Haslar until late 2009, when services are likely to be moved by PHT to the Queen Alexandra Hospital (QA) at Cosham, near Portsmouth. It is estimated that around 300 military staff already work at QA. A significant proportion of the military and civilian staff currently working at Haslar are likely to transfer to QA in 2009. Many of these will retain their permanent residences in Gosport, and as such, the impact of the closure of Haslar on household disposable income in the Borough may be reduced. However, some of the higher salaried staff working at Haslar may relocate to one of the five other main Ministry of Defence Hospital Units (MDHUs)[19] around the country, or the Royal Centre for Defence Medicine (RCDM) at Selly Oak Hospital in Birmingham.

Vector Aerospace Helicopter Services Fleetlands (formerly DARA Fleetlands)

Following the closure of the Engines business in March 2007, it was announced that in the interests of efficiency, the Rotary and Components sections of DARA were to be sold to the Canadian company Vector Aerospace in April 2008. [20] DARA in turn merged with ABRO, another MoD repair organisation, to form a sole Defence Support Group which also began trading in April 2008. The decision has raised questions over the future of the jobs at the Fleetlands site, but Vector has made assurances that not only are there no plans to scale back operations at Fleetlands, there is the possibility of future expansion.[21]

[19] Whilst military medical personnel are present within 30 NHS Trusts throughout the UK, the main MDMUs are at Plymouth, Frimley Park, Surrey, Northallerton, North Yorkshire, Peterborough and Portsmouth.
[20] For details see Defence News http://www.mod.uk/DefenceInternet/DefenceNews/DefencePolicyAndBusiness/ModToSellHelicopterMaintenanceBusinesses.htm
[21] Ministry of Defence News <http://www.mod.uk/defenceinternet/defencenews/defencepolicyandbusiness/modtosellhelicoptermaintenancebusinesses.htm >

Fort Blockhouse

The Fort Blockhouse site was previously home to the Royal Navy's submarine service and has for some years been used for a mixture of military and quasi-military uses, ranging from the Defence Medical Education and Training Agency (DMETA), to overspill military accommodation, the tri-service sailing centre, the Submarine museum and submarine escape training. The future of this site is particularly difficult to predict; it is a strategic location and contains a number of important listed buildings. The most likely outcome is that the MoD will continue to find uses for the site in the medium-term and that the numbers employed will steadily decline. It seems unlikely that it will become a major defence establishment in the future and the long-term prospects are clearly intertwined with the future use of RH Hospital Haslar which is located adjacent to the site. With the almost total overhaul of defence medical services (which also has implications for Haslar,) the MoD has indicated that only a residual of DMETA activity will remain at Fort Blockhouse.

DSDA Gosport

DSDA Gosport is likely to be affected by the Future Defence Supply Chain Initiative (FDSCi,) which was introduced in 2006, and which seeks over a 10 year period to achieve savings of £400m through 2,000 job losses nationwide and the closure of 3 main storage depots. Although there is not expected to be any redundancies at DSDA Gosport, it was expected that there would be in the region of 80 job losses through 'natural wastage'[22]. According to the latest employment figures at the site, this restructuring appears to have already largely taken place, and consequently it is anticipated that there will be no further significant job losses in the coming years.

Institute of Naval Medicine

The Institute of Naval Medicine (INM) does not appear to be under threat of run-down or closure in the short to medium-term, although, given the changes occurring in military medicine highlighted earlier, there can be no guarantee that reduction might not occur in the longer-term. In addition, recent statements by Derek Twigg have revealed that the private sector research company QinetiQ is working in tandem with INM; this suggests that in the longer term the INM may relocate or change the focus of its activities away from those which it has historically centred on. Given the above caveats, the most likely scenario is that INM will carry on much as before over the next five to ten years with any changes impacting in the longer-term.

[22] Non-replacement of staff following retirements, resignations or transfers

QinetiQ

Annual Reports from QinetiQ show that their number of UK-wide defence and technology employees has remained consistent at around 7,000 since 2004. More generally, figures for overall defence-related research and development (R and D) expenditure in the UK have been fixed at approximately £2bn over the same period.[23] This would suggest that it is appropriate to assume that the employment and expenditure at the QinetiQ sites in Anglesey ward will remain close to their current levels in the medium-term.

Centurion

The Centurion Building on the northern portion of the HMS Sultan site houses the tri-service Armed Forces Personnel Administration Agency (AFPAA). The agency, which employs around 1,700 people throughout the UK, occupies 4 sites at Centurion, Worthy Down, Innsworth and Glasgow. A recent Corporate Plan for the Agency suggests that a process of consolidation is underway, which will see closure of the AFPAA facility at Worthy Down and possible relocation of activities from Innsworth (unconfirmed ;) there is a possibility that some of this activity will move to Centurion.[24] Although the implications are not yet confirmed, the available information suggests that employment of civilian staff at Centurion may increase by between 10% and 15%.

Oil Fuel Depot

The future of this site is closely linked to the continued use of HMNB Portsmouth as a working naval dockyard. There are currently no anticipated changes in employment or expenditure at this site.

HMS Collingwood

As part of the MoD's rationalisation plans it is envisaged that some communications training will continue to be delivered at HMS Collingwood, alongside the Naval Warfare Training which is outside of the scope of the DTR rationalisation programme. The likely consequence of this is that the current changes will have little impact upon the long term provision of training at HMS Collingwood; indeed there may be some expansion.

[23] Source: ONS <http://www.statistics.gov.uk/statbase/Publication.ASP?to=2&su=53&B3.x=20&B3.y=15>

[24] AFPAA, < http://www.mod.uk/NR/rdonlyres/762E2617-44EB-48A6-8983-F45E78D4FBC1/0/afpaa_corp_plan_20062011.pdf>

HMNB Portsmouth


Artist's impression of future carrier, Source MoD

In July 2007, the Defence secretary Des Browne announced that HMNB Portsmouth would be retained, albeit with the possibility that some of its operations might be rationalised. In addition, two super carriers – HMS Queen Elizabeth II and HMS Prince of Wales[25] – would be partially constructed and base-ported at Portsmouth. The ships, which will cost £3.8bn to construct, creating around 10,000 jobs across the UK, are expected to enter service in 2014 and 2016 respectively. It has been reported that the rationalisation will involve the loss of between 700-1000 jobs across the naval bases at Portsmouth, Plymouth and Faslane.[26] Assuming that these job reductions are concentrated at Plymouth and Portsmouth, this is equivalent to an approximate 15% personnel reduction in the current workforce at the latter. However, given that the future carrier project is expected to create 1,000 jobs in each of the main yards[27], it is likely that Portsmouth will see an increase in the number of jobs, at least in the medium-term.

Portsmouth-based Ships

The size of the armed service contingent on Portsmouth based ships is slightly harder to predict. Whilst the future carriers will need larger crews than the current carrier force, there are already question marks over the size of the Type 45 destroyer fleet, with the confirmation in June 2008 that the six currently on order will not be increased to eight as previously planned[28]. Overall, naval manpower (excluding Royal Marines) has reduced by around 2% per annum over the last 10 years[29], (a slightly higher rate than for the Army). If current trends continue then the reduction over the next ten years might reasonably be expected to be in the region of 15 to 20%; if the trend slows to that experienced by the army, the rate of decline could be in the order of 10% or less.

[25] The leviathans are around three times the size of the current Invincible Class aircraft carriers, however their crew size is only slightly larger (around 400) but as only two of the current carrier force are operational, this should mean that slightly more sailors will be base-ported at Portsmouth crewing aircraft carriers.
[26] The News, 2nd August 2007, http://www.portsmouth.co.uk/hands-off-our-base/I-could-make-cuts-and.3079943.jp
[27] The main yards involved in the construction are Govan, Barrow, Rosyth and Portsmouth but it is likely that the nature of the defence supply chain means that there will be benefits for a substantial number of local firms see http://www.mod.uk/DefenceInternet/FactSheets/EquipmentFactsheets/FutureAircraftCarrierscvf.htm
[28] Bob Ainsworth, 19th June 2008 < http://www.publications.parliament.uk/pa/cm200708/cmhansrd/cm080619/debtext/80619-0011.htm>
[29] See Defence Statistics 2007, DASA

Southwick Park

Following the announcement in January 2008 of the closure of the Princess Royal Barracks, Deepcut, the Defence College of Logistics and Personnel administration (DCLPA) and the Director Royal Logistics Corps (DRLC) are expected to relocate to Worthy Down and Southwick Park. The move would add to the DCLPA and logistics training which already takes place on both sites, and it is expected to be completed to coincide with the closure of the Deepcut site by 2013.[30] Final confirmation of these changes is likely to be dependent upon the result of the current discussions regarding package 2 of the Defence Training Review (DTR.) The likelihood is that this base will expand in the medium-term but the number of service personnel serving there whilst living within Gosport is likely to remain fairly small.

6.3 Scenarios to be modelled

Having identified the available information relating to the various sites, this information is now gathered together in the form of the most realistic outcome for each site. A series of potential scenarios for each establishment are set out below with the most likely outcome highlighted in blue. In each case there is a brief description of the scenario based on the evidence gathered in 6.2 above, a summary of the effects, the probability of the scenario coming to fruition and the assumed impact. For those bases whose future is thought to be relatively clear only a single scenario is presented.

The most likely overall scenario is then displayed in tabular form showing the estimated percentage change in both jobs and spending at each base over the forecasting period. It is the outcomes of this table that are then fed into the scenario and local economy models in order to determine the multiplier effects associated with the scenario. This can then be set against the baseline to show the total estimated impact if all the expected changes come to fruition.

[30] http://www.publications.parliament.uk/pa/cm200708/cmhansrd/cm080131/wmstext/80131m0001.htm#08013152001072

HMS Sultan[1] (Scenarios)

Scenario number	Description	Summary of effect	Probability of coming to fruition	Assumed impact
S1	Base continues to operate as normal until 2017 when it finally closes and the remainder of trainees and staff move to St Athan.	Gradual run-down over the entire period.	Unlikely that there will be a steady trickle of training away from Sultan, the move is likely to be phased.	Gradual reduction in employment and spend into the local economy, but spread over a considerable period. 100% loss of employment and associated income
S2	**Sultan pulls in a substantial part of army (REME) training up to 2012; thereafter phased relocation to St Athan. In the meantime, commercial civil training is increased.**	**Initial increase in numbers but probably not significant. After that the relocation is likely to lead to a significant reduction in numbers with air engineering going first followed by general then marine engineering.**	**Likely to be the outcome although there appears to be a question mark over the future location of the nuclear department. In this scenario there is a residual military role for Sultan with opportunities to expand commercial operations.**	**Little impact initially but significant impact after 2012. It is assumed that around 80% of civilian and 90% of service jobs will be lost. Around 40% of service household spending will remain due to the lag in relocating families, but only 20% for civilian staff as they move to other jobs probably outside the Borough. If the base is kept "active" around 50% of expenditure on supplies and services will remain intact.**
S3	MoD reviews training packages on the basis of there being too much risk in having "all its eggs in one basket."	Initial increase in numbers compensates for gradual reduction in RN personnel as navy continues to contract. Sultan becomes the 'second' training academy concentrating on general and marine electro-mechanical training.	Plausible given the 'risk averse' nature of the MoD and the highly political nature of such decisions. An expanded commercial programme may be attractive enough to offset perceived gains from consolidation.	Very little impact on employment and spend. Assumed that around 10% of jobs and household spending will be lost; expenditure on supplies and services remains at current levels.

Notes: [1] *The exact timing and scale of plans to relocate to St Athan and a final decision on the future of HMS Sultan are still under discussion.*

Haslar Hospital (Scenarios)

Scenario number	Description	Summary of effect	Probability of coming to fruition	Assumed impact
H1	**Haslar hospital shuts in 2009**	**The majority of civilian and military staff move to other MDHUs, most relocate to QA. Small residual civilian workforce left in caretaker role.**	**Most likely scenario**	**Loss of 90% of civilian and service jobs. Around 70% of household expenditure retained as most staff do not move home. 50% of expenditure on supplies and services lost. The number of service jobs at QA is likely to double as staff move from Haslar.**
H2	Haslar hospital remains open	NHS finds that QA is unable to cope with demand so Haslar is retained as back-up facility catering for non-specialist operations and activities.	Unlikely to occur given the constraints on health services budgets and the amount already expended on the QA PFI.	No loss of jobs, or household and supplies and services expenditure.

Fleetlands (Vector Aerospace) (Scenarios)

Scenario number	Description	Summary of effect	Probability of coming to fruition	Assumed impact
F1	**Following the recent acquisition by Vector Aerospace, Fleetlands remains open, with the possibility of expansion**	**No change to employment or output. Any losses through efficiency gains are compensated for by the expansion of output.**	**Vector Aerospace has stated publicly that they do not intend to rationalise their operations at Fleetlands.**	**Employment and household expenditure remain the same. There may be some reduction in terms of supplies and services (10%) depending on Vector Aerospace's choice of suppliers.**
F2	Following the recent acquisition by Vector Aerospace, Fleetlands is gradually closed	Possible 100% reduction in employment at the site	Unlikely (see above)	Employment and spending reduced to zero

Fort Blockhouse (Scenario)

Scenario number	Description	Summary of effect	Probability of coming to fruition	Assumed impact
FB1	**Continued use of base by the MoD but a steady decline in employment at the site.**	**Fort Blockhouse occupies a strategic site at the entrance to Portsmouth Harbour and is likely to be retained by the MoD. A steady decline in employment is expected given recent trends to relocate many of its facilities to other MoD sites around the UK.**	**Likely to occur. In the long-term Fort Blockhouse is likely to remain a MoD site staffed by a low residual workforce of military personnel.**	**A gradual decline in employment and household, supplies and services expenditure of around 50% over the full forecasting period. All training activity is lost**

DSDA Gosport (Scenarios)

Scenario number	Description	Summary of effect	Probability of coming to fruition	Assumed impact
D1	**Minimal job losses expected by 2016 as part of the Future Defence Supply Chain Initiative (FDSCi).**	**Impact appears to have already taken place, no further significant job losses anticipated.**	**Likely to occur**	**Employment and household, supplies and services expenditure remain stable.**
D2	Site closes and activity relocates to Plymouth	Loss of all employment and associated household and supplier expenditure	Unlikely to occur as the decision has already been taken to maintain two surface fleet bases	Loss of all jobs and associated expenditure

Institute of Naval Medicine (Scenario)

Scenario number	Description	Summary of effect	Probability of coming to fruition	Assumed impact
INM1	**Little change anticipated in the short to medium term, with the possibility of relocation or some modifications in activity in the longer term.**	**INM is expected to continue as at present for the next 5-10 years. In the longer term there is the possibility that its activities may relocate or change due to its partnership with QinetiQ.**	**Likely to be little change in the medium term. Long term changes are possible.**	**Little change in employment and household, supplies and services expenditure for the next 5-10 years.**

QinetiQ (Scenario)

Scenario number	Description	Summary of effect	Probability of coming to fruition	Assumed impact
Q1	**No anticipated changes in employment or expenditure in the foreseeable future.**	**Recent national trends within research and development suggest employment and expenditure should in the medium term remain close to their current levels.**	**Likely to occur.**	**Employment and household, supplies and services expenditure remain stable.**

Centurion (Scenario)

Scenario number	Description	Summary of effect	Probability of coming to fruition	Assumed impact
CN1	**Slight increase in the civilian workforce due to relocation of jobs from other MoD bases in the rest of the UK.**	**It has been suggested that up to 160 civilian jobs may be moved to Centurion. Since the actual number may be fewer than this and some of the positions may replace personnel lost through retirements and natural wastage, an estimated 10-15% increase in civilian jobs would be reasonable.**	**Relocation of jobs to Centurion is likely to occur. The extent to which this will take place remains unclear.**	**Employment and household spending will increase by 10-15%. Supplies and services expenditure will remain stable.**

Oil Fuel Depot (Scenario)

Scenario number	Description	Summary of effect	Probability of coming to fruition	Assumed impact
OF1	**No anticipated changes in employment or expenditure for the foreseeable future.**	**Future of this site is closely linked to the expected continued use of HMNB Portsmouth as a working naval dockyard. Small scale rationalisation at HMNB Portsmouth is unlikely to impact on employment at the Oil Fuel Depot.**	**Likely to occur.**	**Employment and household, supplies and services expenditure remain stable.**

HMNB Portsmouth and Portsmouth-based ships (Scenarios)

Scenario number	Description	Summary of effect	Probability of coming to fruition	Assumed impact
NB1	Rationalisation of activity at naval bases spread evenly between Portsmouth and Plymouth as efficiency gains take hold	Around 500 job losses, resulting in an overall reduction of around 15% of personnel. A similar reduction in service personnel if current trends in manpower levels continue. The proportion of supplies and services purchased from Gosport remains at current levels.	Quite likely that some rationalisation will occur but this may be offset by "new build" work. The service level reductions may moderate closer to those across all three services.	Employment and household expenditure for service and civilian staff falls by 15%. No change in the amount spent in Gosport on supplies and services.
NB2	**Change in the mix of employment as work on the super carriers and other "new build" commences counteracting the employment losses resulting from efficiency gains. No change in the proportion of supplies and services purchased in Gosport.**	**The losses above are more than compensated for by the 1,000 jobs expected to be created at the height of the carrier build programme. Service manpower reductions stabilise at a rate of 1% per annum, if general economic conditions become tighter this may be slightly lower.**	**Likely to occur, as the carrier project appears to be assured although there may be lags in the programme. Reductions in service manpower cannot continue indefinitely, in the face of falling numbers recruitment efforts are likely to be stepped up.**	**Civilian employment and household spending remain stable. Service employment and household spending decrease by 10%. Spending on supplies and services remains the same.**

HMS Collingwood (Scenario)

Scenario number	Description	Summary of effect	Probability of coming to fruition	Assumed impact
C1	**DTR has no impact on training programmes. Slight rationalisation due to efficiency gains.**	**Employment levels fall by around 5% over the full period.**	**Almost certainly the outcome with job losses likely to be achieved through natural wastage.**	**The 5% reduction in both jobs and associated household spending has a minimal impact on the Gosport economy.**

Southwick Park (Scenario)

Scenario number	Description	Summary of effect	Probability of coming to fruition	Assumed impact
SP1	**Defence College of Logistics and Personnel Administration (DCLPA) and the Director Royal Logistics Corps (DRLC) partly relocate to Southwick Park, coinciding with the closure of the Princess Royal Barracks at Deepcut by 2013.**	**Trainees and trainers relocate to Southwick Park**	**Most likely scenario (announced 31st Jan 2008)**	**Total employment doubles and spending increases by the same margin (impact on Gosport Borough likely to be minimal as few Service staff are domiciled in Gosport)**

Overall impact of known scenarios as at June 2008

Establishment	Civilian Employees	Contract Staff	Service Personnel	Permanent Service Residents INCOME	Weekly' Service Residents INCOME	Civilian Residents INCOME	Contract Staff INCOME	Expenditure on Goods and Services
HMS Sultan	-80%	-80%	-90%	-60%	-80%	-80%	-80%	-50%
RH Haslar[1]	-90%	-90%	-100%	-30%	-100%	-30%	-30%	-50%
Vector Aerospace Fleetlands	0%	0%	0%	0%	0%	0%	0%	-10%
Blockhouse	-50%	-50%	-50%	-50%	-50%	-50%	-50%	-50%
DSDA	0%	0%	na	0%	0%	0%	0%	0%
Institute of Naval Medicine	0%	0%	0%	0%	0%	0%	0%	0%
QinetiQ	0%	0%	na	Na	na	0%	0%	0%
Centurion[2]	10%	0%	0%	0%	0%	10%	0%	0%
Oil Fuel Depot	0%	0%	na	Na	na	0%	0%	0%
HMNB Portsmouth	0%	0%	-10%	-10%	na	0%	0%	na
Portsmouth Based Ships	na	na	-10%	-10%	na	Na	na	na
HMS Collingwood	-5%	-5%	-5%	-5%	-5%	-5%	-5%	na
QA Hospital[1]	Na	na	100%	200%	na	na	na	na
Southwick Park	na	na	100%	100%	na	na	na	na

Source: CLREA, 2008

Note: A figure of zero percent signifies no change from the current position, a negative percentage a reduction and a positive percentage an increase.

[1] It is assumed that a significant proportion of the service personnel working at Haslar hospital who are permanently resident in Gosport will relocate to QA upon the closure of Haslar. These individuals are likely to retain their homes within the Borough and hence will continue to spend a large proportion of their income within the local economy; this is incorporated within the Haslar figure above. The relocation to QA of around 90% of the service personnel currently at Haslar would constitute approximately double the current service personnel workforce at QA.

[2]The figures for Centurion are a conservative estimate given the expectation that the total number of relocated jobs will be fewer than the reported 160 and some of these jobs may replace existing posts at Centurion, where the incumbent post-holder may have retired or been lost through other forms of natural wastage.

Chapter 7 – Scenario One: Closure/rundown of HMS Sultan

Aerial view of HMS Sultan main site

7.1 Introduction

HMS Sultan, in addition to being one of the MOD's major training bases, also houses the Admiralty Interview Board, and the tri-service Armed Forces Personnel Administration Agency (AFPAA), located within the Centurion building. Occupying an area of 57.5 hectares, HMS Sultan is one of the most important areas of employment land within Gosport Borough. Adjacent to the main site are three further pockets of MoD-owned land; the 11.6 hectare site which contains HMS Sultan's accommodation blocks and two areas of open space of 9.7 and 5.7 hectares respectively which are used for sport and recreation.

7.2 HMS Sultan – Current Employment

Table 7.1 shows that, at any one point in time, there are typically just fewer than 2,600 people working, stationed or training on HMS Sultan. Of these people, 440 are permanent service personnel mainly in administrative or training roles, 520 are civilian employees and 290 are contract staff. Of the 1,300 service personnel who are on training courses at HMS Sultan, just over 1,000 live on the base during the week, leaving the Borough at weekends. There are 850 people who work, or are undertaking training at the base, who live permanently within the Borough, whilst 730 commute in from neighbouring areas.

Table 7.1 – Numbers Currently Employed and Training at HMS Sultan

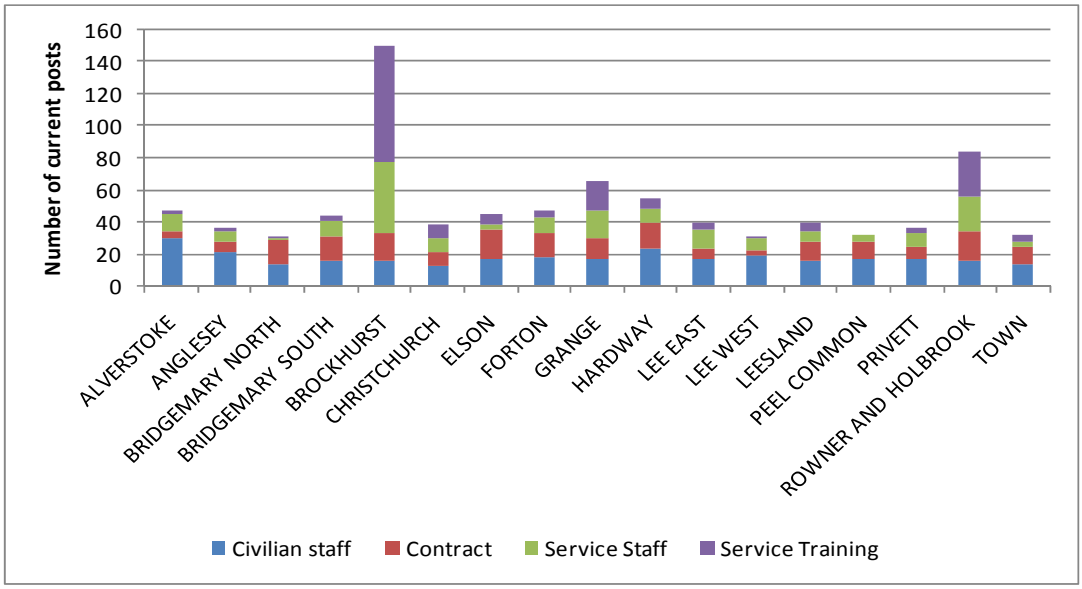
	Civilian Staff	Contract Staff	Service Staff	Service Training	Total
Living in the Borough	289	200	183	175	847
Living on the base during the week	0	0	0	1010	1010
Commuting	235	94	256	146	731
Total	**524**	**294**	**439**	**1331**	**2588**

Source: CLREA, 2008

Figure 7.1 shows the wards in Gosport within which the permanent staff at HMS Sultan reside. The graph shows that, with the exception of the Brockhurst, and to a lesser extent, Rowner and Holbrook wards, HMS Sultan personnel are fairly evenly spread throughout the

Borough. Thus Figure 7.1 highlights where the residential impact of any future reduction of personnel at HMS Sultan would be likely to fall.

Figure 7.1 – Area of Residence of HMS Sultan Personnel



Source: CLREA, 2008

7.3 HMS Sultan – Current Economic Impact

The employment generated by HMS Sultan has important economic consequences for the Gosport economy. In addition to the direct income that accrues to those working and living within the Borough, commuters and those on training courses also spend part of their income within the local economy. The base also purchases goods and services in order to maintain the fabric of the facility and its operation, some of which may be bought from local firms. Table 7.2 provides a summary of the main direct income benefits generated by HMS Sultan. The table shows that a total of just over £25m of net income[31] accrues to the Gosport local economy. The largest part of this (just over £15m) is paid in wages to service, civilian and contract staff who live within the Borough. Furthermore, it is estimated that in excess of £8m is spent by trainees staying on the base and those who commute into work from outside of the Borough.

In addition to the direct income and employment effects summarised in Table 7.2, there are also indirect and induced effects generated by the multiplier process. The induced effect begins with the wage expenditure of employees, commuters and trainees who work on the base; the indirect effect results from the direct expenditure of the base itself.

[31] Income tax and national insurance contributions have been deducted from gross earnings to provide estimates of net income.

Table 7.2 - HMS Sultan – BASELINE Summary Table of DIRECT Employment and Income 2008

HMS Sultan	Employment					Domicile		Income
	Civilians		Service		Total	Total	Total	Total
	FT Civilian Employees	Contract Staff	Permanent Service Personnel	Trainees	Total Employees + Trainees	Permanent Residents	Resident Only during Week	Total Income of Residents and Trainees
ALVERSTOKE	Ward data withheld to protect anonymity of individuals				47	45	Ward data withheld to protect anonymity of individuals	£1,192,746
ANGLESEY					36	35		£829,205
BRIDGEMARY NORTH					30	30		£464,172
BRIDGEMARY SOUTH					44	41		£739,031
BROCKHURST					151	62		£1,899,643
CHRISTCHURCH					38	37		£779,052
ELSON					45	44		£738,502
FORTON					47	47		£852,648
GRANGE					65	60		£1,209,101
HARDWAY					54	53		£1,034,711
LEE EAST					39	38		£907,011
LEE WEST					30	30		£725,802
LEESLAND					39	38		£704,893
PEEL COMMON					31	31		£569,856
PRIVETT					35	35		£759,197
ROWNER AND HOLBROOK					84	75		£1,446,871
TOWN					31	30		£528,780
Total Living in Gosport	289	200	183	175	847	732	115	£15,381,221
Living on Base during Week	0	0	0	1010	1010	Civilian/contract 'in-commuters'		£453,538
Commuters Living Outside Gosport	235	94	256	146	731	Service 'in-Commuters'		£554,760
Total Employed/Training on site	524	294	439	1331	2588	Trainees		£7,354,521
						Expenditure on Goods and Services		£1,413,407
						Total Local Net Income		£25,157,448
						Leakage from local economy		£11,851,823
						1st round spending within Gosport		£13,305,625
						Overall induced expenditure		£4,889,430
						Overall indirect expenditure		£650,186
						Grand total local expenditure		£18,845,241
						Direct defence related FTE jobs		2,588
						Overall multiplier FTE jobs		227
						Grand total FTE jobs		2,815

Source: CLREA, 2008

This primary spending creates the income for local firms that sell to employees and the base and thus creates the wealth to support other jobs in local shops and businesses. The staff of the shops and businesses receiving the initial income will also spend a portion of their wages locally and local shops and businesses will eventually need to restock. Part of that restocking will come from other local firms and this secondary demand will create additional jobs throughout the local supply chain. In essence a diminishing 'ripple effect' is created throughout the local economy as a smaller portion of restocking along the supply chain takes place.

The CLREA Input-Output model simulates these 'multiplier' interactions within the Gosport economy and is thus able to estimate the value of the indirect and induced effects generated by this process. Table 7.2 shows that of the £25m that accrues to the Gosport economy as local income, just over £13m stays within the local area as 'first round spending' upon locally produced goods and services. This means that just under £12m of local income 'leaks' out of the Gosport economy to other areas in the UK due to the fact that the demand for these goods and services cannot be met locally and thus have to be 'imported' from outside of the Borough. Table7.2 also shows that as the multiplier interactions take effect, £4.9m worth of induced expenditure and £0.65m worth of indirect spending are generated. This £5.55m worth of additional spending increases the total value of local income generated by the presence of HMS Sultan to £18.9m. It also produces an additional 230 jobs meaning that a grand total of just over 2,800 jobs within Gosport are supported by HMS Sultan's presence in the Borough.

7.4 HMS Sultan – Background to Scenario Changes

Package 1 of the government's Defence Training Review Rationalisation programme, which provides for the delivery of aeronautical engineering, electro-mechanical engineering and communications and information systems training, and thus has direct implications for HMS Sultan, has been awarded to the Metrix consortium. Over a five-year period starting in late 2008, Metrix's current proposals envisage rationalising this provision from the current nine sites down to just two sites, St. Athan and HMS Sultan. In line with Metrix's proposals and for the purposes of this report, it is assumed that marine engineering training will remain at HMS Sultan until 2017, when it will then also relocate to St. Athan. However, there is still some uncertainty as to the exact scale and timing of these relocation plans which will need to be monitored and any changes to the plans will need to be incorporated into the scenario model. The likely outcome of the assumed changes is that whilst HMS Sultan will probably see a short term increase in employment and training numbers, in the longer term (post 2017), the likely outcome is that the site will rundown significantly as its main military training functions transfer to St Athan.

In recent years, as armed service numbers have fallen, training provision at HMS Sultan has become more diversified. As well as providing training for personnel from foreign navies, it has also branched out to provide specialist training for staff and apprentices for commercial UK companies that employ electro-mechanical engineers. Currently, much of the naval training at Sultan is provided via a public/private partnership with the private sector company 'Flagship Training Ltd[32]. What is not clear at the moment is whether or not Flagship's commercial ventures will continue, if and when, military training relocates in 2017.

7.5 HMS Sultan – Assumed Scenario Changes

The most likely scenario envisaged for HMS Sultan is that in the short term there may be a small increase in the number of trainees as Sultan pulls in a large part of army (REME) training up to 2012. However, in the medium to long term there will be significant reductions in the numbers of service and civilian employees and trainees as, first of all, air engineering relocates to St Athan followed later by marine engineering. Whilst it is clear that these changes will lead to a significant reduction in HMS Sultan's provision of military training, the extent to which Flagship may be able replace this with training for commercial and overseas organisations is questionable. Whilst the available resources could, theoretically, be used to provide such training, the questions remains whether, without military training, there will be the 'critical mass' of work needed to sustain operations. Whatever the outcome, the most likely result is that HMS Sultan, if it continues to operate will do so at a much reduced level.

Table 7.3 – HMS Sultan - Summary of Assumed Scenario Changes 2008 to 2017

Numbers	Estimated Change	Income	Estimated Change
Civilian Employees	-80%	Civilian Residents	-80%
Contract Staff	-80%	Contract Staff	-80%
Service Personnel	-90%	Expenditure on Goods and Services	-50%
Career/non-career Training	-100%	Career/non-career Trainees	-100%
Basic Training	-60%	Basic Trainees	-60%
Service Permanent Residents	-60%	Permanent Service Residents	-60%
Service Weekly Residents	-80%	Weekly Service Residents	-80%

Notes: *Civilian and contract staff assumed to fall by 80% with reduced training loads*
-Service personnel to fall by 90% as most are relocated to St Athan
- career and non-career training fall by 100% with removal to St Athan
- Basic training provision falls by 60% as more commercial work is taken on
- The income of service residents falls by less as some maintain homes in Gosport
- If the base remains 'active' expenditure on goods and services falls by 50%

Source: CLREA, 2008

[32] Flagship Training Limited is a joint venture between BAE Systems and VT Group, the company was formed in 1996 with a remit to deliver support services, reduce expenditure and generate income for the Royal Navy. It employs around 1,500 personnel and has around 400 customers both military and commercial.

Table 7.3 provides a summary of the main changes in direct employment, training numbers and local net income expected to result from the proposed changes at HMS Sultan. Whilst the assumptions shown provide only one possible scenario, the CLREA model has the capacity to model any alternative scenarios that might be considered.

7.6 Outcomes of Scenario Changes

Table 7.4 provides a detailed summary of how the assumed changes contained within Table 7.3 would impact directly upon HMS Sultan and Gosport. As shown in Table 7.4, it is estimated that just fewer than 2,150 direct posts of all types would be lost at HMS Sultan. Of these posts, approximately 650 would be civilian (both permanent and contract), 400 would be permanent service personnel and the remaining 1,100 would be trainees. As many of these posts will be relocated to St Athan, the consequences of these changes for the Borough Economy are likely to be far reaching. The table further shows that in the region of 700 posts lost will be those currently filled by residents of Gosport Borough.

Whilst not of all these current residents will relocate out of the Borough, it is possible that a large number may. Both service and civilian staff currently employed at HMS Sultan may choose, or be required, to relocate to St Athan. Others may relocate elsewhere in search of alternative employment. One likely scenario is that over the ten year period to 2017 a number of staff may take early retirement or voluntary redundancy as part of a programme of 'natural wastage'. In such a scenario the likelihood is that the number of jobs lost would be greater than the number of residents leaving.

The direct economic impact of these changes is shown by the loss of direct local income that results from them. Table 7.4 shows that just under £19m of net annual local income may be lost to the Borough economy as a direct result of the proposed rundown of HMS Sultan. The bulk of this (just over £11m) will be in the form of wages and salaries currently paid to those who live and work in Gosport. In addition, another £7m will be lost due to the spending of commuters and trainees currently based at HMS Sultan. In addition to the direct income and employment lost within the Borough, there will also be 'knock on' effects as the indirect and induced impacts of the multiplier process take effect. Table 7.4 shows that in addition to the £9.8m of 'first round spending' lost to the Borough economy, an extra £3.8m of induced spending and £0.3m of indirect spending will also be lost. This means a total of £14m of expenditure within the Gosport economy would be lost as a result of the rundown of HMS Sultan under the assumptions outlined in Table 7.3. This would lead to the loss of 2,300 jobs within the Borough, 2,130 direct and the remainder indirect and induced jobs.

Table 7.4 - HMS Sultan – Post Scenario Summary Table of DIRECT changes in Employment and Income 2017

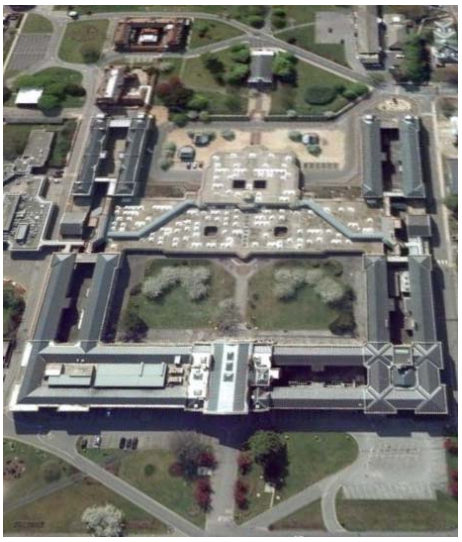
HMS Sultan	Employment Change					Domicile Change		Income Change
	Civilians		Service		Total	Total	Total	Total
	Civilian Employees	Contract Staff	Service Personnel	Trainees	Total Employees + Trainees	Permanent Residents	Resident Only during Week	Total Income of Residents and Trainees
ALVERSTOKE	Ward data withheld to protect anonymity of individuals				-39	-34	Ward data withheld to protect anonymity of individuals	-£876,286
ANGLESEY					-30	-27		-£617,799
BRIDGEMARY NORTH					-24	-24		-£361,779
BRIDGEMARY SOUTH					-37	-31		-£540,467
BROCKHURST					-123	-44		-£1,373,011
CHRISTCHURCH					-31	-27		-£541,093
ELSON					-37	-33		-£553,092
FORTON					-39	-35		-£617,693
GRANGE					-55	-42		-£833,053
HARDWAY					-45	-40		-£754,593
LEE EAST					-33	-28		-£631,515
LEE WEST					-25	-23		-£532,964
LEESLAND					-32	-28		-£512,941
PEEL COMMON					-25	-24		-£432,866
PRIVETT					-29	-26		-£548,556
ROWNER AND HOLBROOK					-74	-52		-£984,692
TOWN					-25	-23		-£399,333
Total Living in Gosport	-231	-160	-165	-147	-703	-537	-92	-£11,111,732
Living on Base during Week	0	0	0	-811	-811		Civilian/contract 'in-commuters'	-£362,831
Commuters Living Outside Gosport	-188	-75	-230	-129	-622		Service 'in-Commuters'	-£495,696
Total Employed/Training on site	-419	-235	-395	-1086	-2136		Trainees	-£6,116,118
							Expenditure on Goods and Services	-£706,704
							Change in total Local Net Income	-£18,791,046
							Change in leakage from local economy	-£8,991,667
							Change in 1st round spending within the local economy	-£9,799,379
							Change in overall induced expenditure	-£3,752,749
							Cahnge in overall indirect expenditure	-£325,093
							Change in grand total local expenditure	-£13,877,222
							Change in direct FTE jobs in Borough	-2,136
							Change in overall multiplier effect FTE jobs in Borough	-169
							Change in total FTE jobs in Borough	-2,305

Source: CLREA, 2008

This analysis shows that the impact of the rundown of HMS Sultan is likely to be one of the most important factors affecting future employment and income within Gosport. This means that in the event of a rundown of HMS Sultan's activities it is vital that the site is used to generate new employment and income opportunities. At the moment it currently supports a total of 2588 posts on 57.5 hectares. This figure of approximately 45 jobs per hectare reflects the labour intensive nature of the training establishment. This suggests that future planning decisions will need to address the problem of how to most efficiently use the site. This raises a number of important issues:

- Will the MoD release all or part of the site for employment use if there is some defence related activity on all or part of the site e.g. HMS Centurion?
- Will Flagship be willing, or able, to stay on site as a provider of 'commercial' training? Would such activities ever be sufficient to replace the forecasted number of job losses?
- To some extent the worst outcome is if the site is not released for development but instead retained at a much reduced level of defence activity. Such a situation would deprive the Borough economy of the development potential of one of its most important employment land sites.

Chapter 8 – Scenario Two: Closure/rundown of Haslar Hospital



Aerial view of Haslar Hospital, Gosport

8.1 Introduction

Haslar Hospital has been treating military personnel since the mid 18th century and is the last remaining active military hospital in the UK. Currently, the hospital also provides care and limited emergency services to many of the residents of Gosport.

The hospital occupies a site covering a total of 23 hectares in the Anglesey ward in the south of the Borough. According to the Haslar Task Force[33] the hospital has the capacity to hold 350 beds and to treat thousands of patients each year. The Government New Network (GNN)[34] has suggested that on-site work now concentrates on elective procedures such as orthopaedics, plastic surgery, minor general surgery, day case surgery, breast disease services and out-patient facilities. There is no provision for acute services, Accident and Emergency Department or Intensive Therapy Units on site.

8.2 Haslar Hospital – Current Employment

Table 8.1 shows that, currently, just over 660 staff are employed at Haslar hospital. Of these people, 80 are permanent service personnel, just fewer than 460 are civilian employees and 125 are contract staff. Of the total of 660 staff employed at the hospital, 360 live permanently within the Borough and just over 300 commute in from neighbouring areas.

Table 8.1 – Numbers Currently Employed and Training at Haslar Hospital

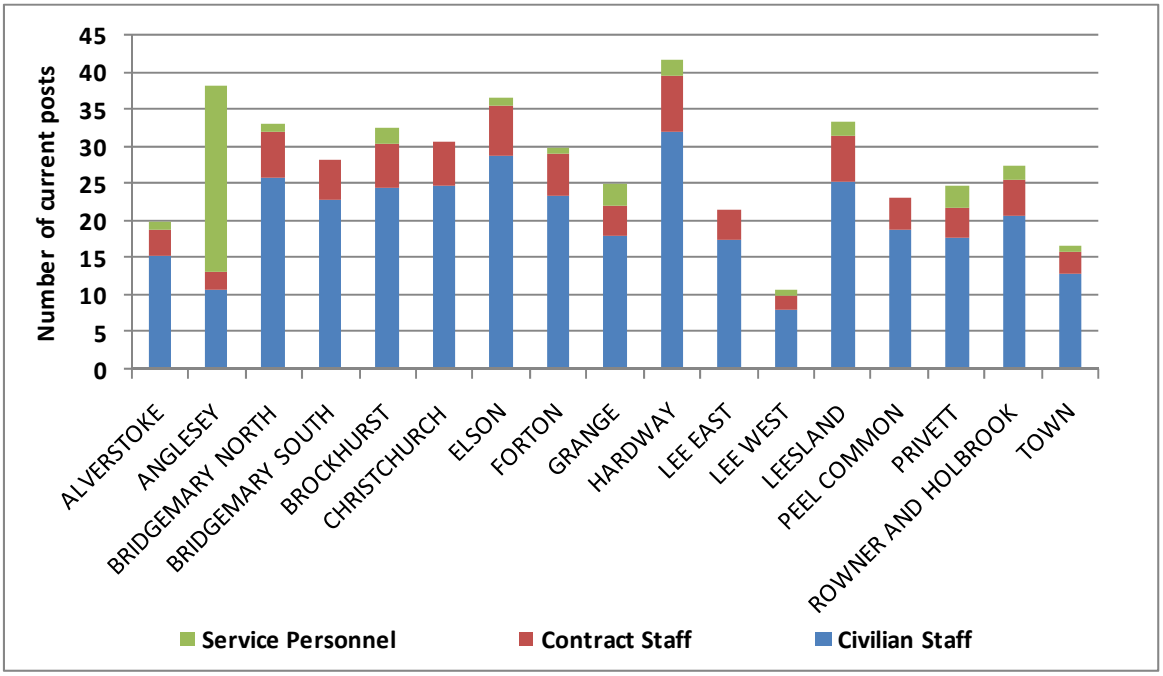
	Civilians	Contract	Service	Total
Living in the Borough	245	67	45	357
Commuting	211	58	36	305
Total	456	125	81	662

Source: CLREA, 2008

Figure 8.1 shows the wards in Gosport within which Haslar staff reside. The graph shows that whilst a large number of service personnel are located within the Anglesey ward, mostly housed at Fort Blockhouse, the remaining personnel employed at Haslar are fairly evenly spread throughout the Borough. This suggests that any impact of closure would be spread throughout Gosport.

[33] Finding a way forward: Haslar Hospital 2007 and beyond, November 2007
[34] March 2007.

Figure 8.1 – Ward of Residence of Haslar Hospital Personnel



Source: CLREA, 2008

8.3 Haslar Hospital – Current Economic Impact

Haslar hospital provides substantial economic benefits to Gosport in addition to playing an important social role within the local community. The direct income that accrues to those working at the hospital and living within the Borough is re-circulated in the local economy through consumer spending. Those who commute to work at the hospital from outside of the Borough also spend a small portion of their income locally. The hospital also purchases goods and services, in order to carry out its primary care role and to maintain the premises, some of this may be bought from local firms. Table 8.2 provides a summary of the main direct income benefits generated by the hospital. The table shows that, in total, £6.4m of net income[35] accrues to the Gosport local economy from the activities and operation of the hospital. By far the largest part of this (£5.7m) is paid in wages to service, civilian and contract staff who live within the Borough. Furthermore, it is estimated that in the region of £0.4m is also spent locally by those who commute into work at the hospital from outside of the Borough.

In addition to the direct income and employment effects summarised in Table 8.2, there are also indirect and induced effects generated by the multiplier process. The induced effect starts life with the wage expenditure of employees, commuters and trainees who work at the hospital; the indirect effect through the direct expenditure of the hospital itself. This primary

[35] Income tax and national insurance contributions have been deducted from gross earnings to provide estimates of net income.

Table 8.2 – Haslar Hospital – Baseline Summary Table of DIRECT Employment and Income 2008

Haslar Hospital	Employment				Domicile		Income
	Civilians		Service	Total	Total	Total	Total
	FT Civilian Employees	Contract Staff	Permanent Service Personnel	Total Employees	Permanent Residents	Resident Only during Week	Total Income of Residents and Trainees
ALVERSTOKE	Ward data withheld to protect anonymity of individuals			15	15	Ward data withheld to protect anonymity of individuals	£338,431
ANGLESEY				35	17		£524,671
BRIDGEMARY NORTH				24	24		£383,785
BRIDGEMARY SOUTH				21	21		£296,113
BROCKHURST				24	22		£351,138
CHRISTCHURCH				22	22		£373,087
ELSON				27	26		£426,163
FORTON				22	22		£339,152
GRANGE				19	17		£270,131
HARDWAY				31	30		£489,043
LEE EAST				16	16		£258,666
LEE WEST				8	7		£138,657
LEESLAND				25	25		£367,829
PEEL COMMON				17	17		£277,220
PRIVETT				19	17		£302,663
ROWNER AND HOLBROOK				21	19		£329,616
TOWN				12	12		£202,318
Total Living in Gosport	245	67	45	357	328	29	£5,668,685
Commuters Living Outside Gosport	211	58	36	305	Civilian/contract 'in-commuters'		£371,819
Total Employed/Training on site	456	125	81	662	Service 'in-Commuters'		£49,680
					Expenditure on Goods and Services		£330,863
					Total Local Net Income		£6,421,047
					Leakages from local economy		£2,927,870
					1st round spending within Gosport		£3,493,178
					Overall induced expenditure		£1,270,621
					Overall indirect expenditure		£152,201
					Grand total local expenditure		£4,916,000
					Direct defence related FTE jobs		662
					Overall multiplier FTE jobs		57
					Grand total FTE jobs		719

Source: CLREA, 2008

spending provides income for local firms that sell goods and services to employees and the hospital and thus creates the wealth to support other local jobs in shops and businesses. The staff of the shops and businesses receiving the initial income will also spend a portion of their wages locally and the shops and businesses will eventually need to restock. Part of that restocking will come from other local firms and this secondary demand creates additional jobs throughout the local economy.

Table 8.2 shows that of the £6.4m that accrues to the Gosport economy as local income, just under £3.5m stays with the local area as 'first round spending' upon locally produced goods and services. This means that just under £3m of local income 'leaks' out of the Gosport economy to other areas within the South East and the rest of the UK due to the fact that the demand for these goods and services cannot be met locally and thus have to be 'imported' from outside of the Borough. Table 8.2 also shows that as the multiplier interactions take effect £1.3m worth of induced expenditure and £0.15m worth of indirect spending are generated. This £1.5m worth of additional spending increases the total value of local income generated by Haslar Hospital to £4.9m. It also produces an additional 57 jobs meaning that a grand total of 720 jobs within Gosport are supported by the presence of the hospital within the Borough.

8.4 Haslar Hospital – Background to Scenario Changes

In recent years the number of service and civilian staff employed at Haslar has fallen significantly as the medical services provided there have been rationalised. Since 2001 Haslar hospital has been jointly administered by Portsmouth Hospitals NHS trust (PHT) and the MoD, providing healthcare to both military personnel and the local community. In 2007, the running of the hospital was transferred to PHT, although the MoD still owns the site.

Much of the future of Haslar appears to have already been decided with the hospital set to close in 2009, when services will be moved by PHT to the Queen Alexandra Hospital (QA) at Cosham. Around 300 military staff work at QA and it is likely that a significant proportion of the remaining Haslar staff will also transfer to QA in 2009. It is thus likely that many of these will continue to live in Gosport, reducing the impact of the closure of Haslar on household disposable income. Some higher salaried staff working at Haslar may relocate to one of the five other main Ministry of Defence Hospital Units around the country or the Royal Centre for Defence Medicine at Selly Oak Hospital in Birmingham. Table 8.3 provides a summary of the main changes in direct employment and local net income expected to result from the proposed changes at Haslar hospital. Whilst the assumptions shown below provide only one possible scenario, the CLREA model has the capacity to model other alternatives.

Table 8.3 – Haslar Hospital - Summary of Assumed Scenario Changes 2008 to 2017

Numbers	Estimated Change	Income	Estimated Change
Civilian Employees	-90%	**Civilian Residents**	-30%
Contract Staff	-90%	**Contract Staff**	-30%
Service Personnel	-100%	**Expenditure on Goods and Services**	-50%
Service Permanent Residents	-30%	**Permanent Service Residents**	-30%
Service Weekly Residents	-100%	**Weekly' Service Residents**	-100%
Notes: *Civilian and contract staff assumed to fall by 90% with caretaking staff remaining* *-All Service personnel leave* *- The income of service residents falls by less as some maintain homes in Gosport* *- If the hospital site remains 'active' expenditure on goods and services falls by 50%*			

Source: CLREA, 2008

8.5 Outcomes of Scenario Changes

Table 8.4 provides a detailed summary of how the changes to Haslar hospital, shown in Table 8.3, would impact directly upon the Gosport Borough economy. The table shows that, given these changes, it is estimated that in the region of 630 direct FTE jobs would be lost. These include approximately 520 civilian posts (both permanent and contract) and all 80 of the service personnel currently employed at the hospital. As it is likely that many of these staff will be relocated to QA Hospital in Cosham, the direct impact that these changes will have upon the Borough Economy will be somewhat reduced. The table shows that around 330 of the jobs that will be lost are currently filled by Borough residents. Whilst many of these residents will probably redeploy to QA hospital, some may choose, or be forced, to relocate outside the local area in search of alternative employment. In either case, the result of this is likely to be an increased burden on commuter traffic at peak times.

The direct economic impact of these changes takes account of the fact that most of the household spending will be retained, at least in the short-term. As Table 8.4 shows, this still equates to a loss of around £2.5m per annum to the Borough economy as a direct result of the closure of Haslar Hospital. The bulk of this lost income will be in the form of wages and salaries currently paid to the civilian and service personnel working at the hospital.

In addition to the direct income and employment lost within the Borough, there will also be ‘knock on’ effects as the indirect and induced impacts of the multiplier process take hold.

Table 8.4 – Haslar Hospital – Post Scenario Summary Table of DIRECT changes in Employment and Income to 2017

Haslar Hospital	Employment				Domicile		Income
	Civilians		Service	Total	Total	Total	Total
	FT Civilian Employees	Contract Staff	Service Personnel	Total Employees	Permanent Residents	Resident Only during Week	Total Income of Residents
ALVERSTOKE	Ward data withheld to protect anonymity of individuals			-13	-13	Ward data withheld to protect anonymity of individuals	-£101,529
ANGLESEY				-34	-11		-£299,065
BRIDGEMARY NORTH				-22	-21		-£115,136
BRIDGEMARY SOUTH				-19	-19		-£88,834
BROCKHURST				-22	-20		-£121,978
CHRISTCHURCH				-20	-20		-£111,926
ELSON				-24	-23		-£136,980
FORTON				-20	-19		-£101,746
GRANGE				-17	-15		-£96,308
HARDWAY				-28	-26		-£156,061
LEE EAST				-14	-14		-£77,600
LEE WEST				-7	-6		-£49,852
LEESLAND				-23	-21		-£110,349
PEEL COMMON				-15	-15		-£83,166
PRIVETT				-17	-15		-£106,712
ROWNER AND HOLBROOK				-19	-17		-£112,388
TOWN				-11	-11		-£60,696
Total Living in Gosport	-220	-60	-45	-325	-285	-29	-£1,930,324
Commuters Living Outside Gosport	-190	-52	-36	-278	Civilian/contract 'in-commuters'		-£334,637
Total Employed/Training on site	-410	-113	-81	-604	Service 'in-Commuters'		-£49,680
					Expenditure on Goods and Services		-£165,432
					Change in total Local Net Income		-£2,480,073
					Change in leakage from local economy		-£1,000,373
					Change in 1st round spending within the local e		-£1,479,700
					Change in overall induced expenditure		-£535,756
					Cahnge in overall indirect expenditure		-£76,101
					Change in grand total local expenditure		-£2,091,556
					Change in direct FTE jobs in Borough		-604
					Change in overall multiplier effect FTE jobs in B		-25
					Change in total FTE jobs in Borough		-629

Source: CLREA, 2008

Table 8.4 shows that in addition to the £1.5m of 'first round spending' lost to the Borough economy, an extra £0.6m of induced and indirect spending will also be lost. This means a total of just over £2m of expenditure within the Gosport economy would be lost as a result of the closure of Haslar Hospital under the assumptions outlined in Table 8.3. As a result, an estimated 630 jobs would be lost within the Borough; 600 direct and the remainder indirect and induced employment.

8.6 Future Use of the Site

The proposed closure of Haslar Hospital raises important questions about the future use of the site. The site, which occupies a prime 23 hectare coastal site in the Borough, is still owned by the MoD. Large parts of this historic site are protected, including a number of listed buildings, the historic gardens, burial ground and a number of conservation areas. These protection orders mean that any future development of the site is likely to be severely restricted. The location of the site and the various protection orders suggest that full commercial development of the site is unlikely to be possible. On the other hand, the location of the hospital means that it is a prime site for some form of 'sensitive, residential development.' However, Gosport Borough Council has stated that it wishes to see the site retained as a base for the provision of health and community services.

In addition to the obvious difficulties in attempting to reconcile the various competing aspirations for the Haslar site, there are a number of other points to note surrounding any future development of the site;

- Will the MoD release all, or part, of the site for sale if there is some residual defence related use on all, or part of, the site, or adjacent sites such as Fort Blockhouse? (Given that peripheral areas of Portsmouth Naval Base have already been released for residential development there is certainly a precedent for this course of action).
- The question of whether or not future development would be piecemeal or comprehensive is also of vital importance. Haslar Hospital is one of the most important sites within the Borough with many historic, cultural and emotive associations and therefore the Borough Council will need to proceed with care. A piecemeal approach would suggest that the parts of the site that are straightforward and cost-effective to develop would be sold off first as the site's potential is exploited without putting much back into the local economy. On the other hand, a comprehensive development strategy would have to contain both a high degree of realism and flexibility if it is to succeed. There are examples both locally and nationally of how this can be achieved, but at the outset Gosport Borough Council needs to decide where its priorities lie; schemes which

combine both conservation and economic regeneration are notoriously difficult to sell to the market.

- If the MoD releases all, or part, of the site, what planning restrictions might be placed upon its development by the Borough Council and the Environment Agency? In some respects this is the nub of the problem; if unrealistic restrictions are placed on the use of the site it may be both unattractive and uneconomic to develop, and left unused for an extended period. This is worst possible scenario where an empty and decaying site represents both lost opportunities and a tarnished image.

Chapter 9 – Scenario Three: Vector Aerospace Helicopter Services Fleetlands

Aerial view of Fleetlands, Gosport

9.1 Introduction

On the 1st April 2008 the Canadian-based company Vector Aerospace International completed the acquisition of the Defence Aviation and Repair Agency (DARA) businesses at Almondbank in Scotland and Fleetlands in Gosport. DARA's main function was to provide rotary and fixed wing services to the MoD and this fits well with Vector Aerospace's role as a global provider of military and civilian aviation, repair, maintenance and overhaul. The Fleetlands facility is located in the north of Gosport alongside the main A32 access road on a privately owned site of more than 53 hectares, one of the largest in the Borough. The Fleetlands site provides maintenance, repair and support for the MoD Chinook (CH-47), Lynx and Sea King helicopters and now operates as Vector Aerospace Helicopter Services (VAHS).

9.2 Vector Aerospace – Current Employment

VAHS is the largest industrial complex within Gosport and one of the largest in Europe. Table 9.1 shows that, at any one time, there are typically over 1,100 people working at VAHS. Of these people, 110 are service personnel, just under 800 civilian employees and 200 are contract staff. There are 500 people who work at the base, who live permanently within the Borough, whilst 600 commute in from neighbouring areas.

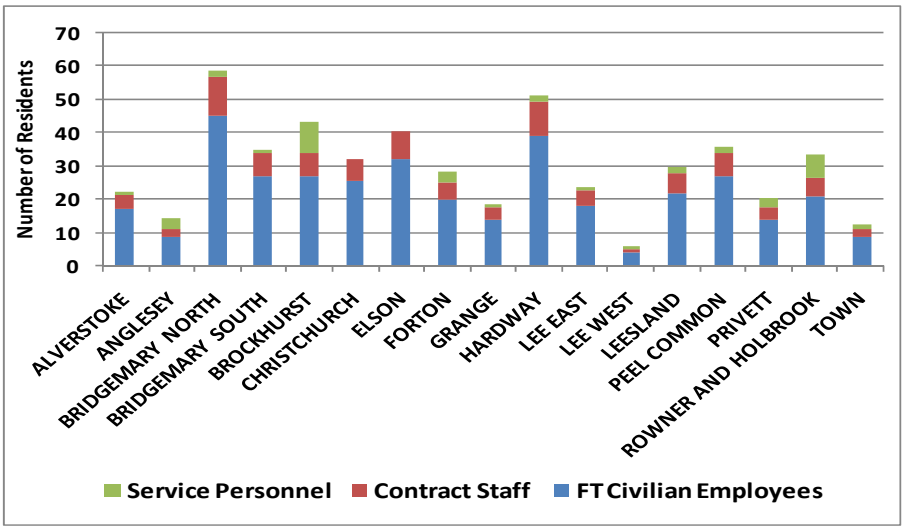
Table 9.1 – Numbers Currently Employed at Vector Aerospace Fleetlands

	Civilians	Contract	Service	Total
Living in the Borough	371	94	39	504
Commuting	426	109	74	608
Total	796	203	113	1112

Source: CLREA, 2008

Figure 9.1 shows the wards in Gosport within which the permanent staff at VAHS reside. The graph shows that, VAHS personnel are spread throughout the Borough with particular concentrations in Bridgemary North and Hardway but significantly fewer in Anglesey, Lee West and Town indicating where the impact of any reduction of personnel would fall.

Figure 9.1 – Area of Residence of Vector Aerospace Personnel



Source: CLREA, 2008

9.3 Vector Aerospace – Current Economic Impact

Employment generated by VAHS has important economic consequences for the Gosport. In addition to the direct income that accrues to those working and living within the Borough, commuters also spend part of their income within the local economy. The base also purchases goods and services, in order to maintain the fabric of the facility and its operation, some of which may be bought from local firms. Table 9.2 provides a summary of the main direct income benefits generated by VAHS. The table shows that a total of just over £11.1 of net income[36] accrues to the Gosport local economy. The largest part of this (just over £9.5m) is paid in wages to staff who live within the Borough. Furthermore, it is estimated that almost £0.84m is spent by those who commute into work from outside of the Borough. Information on the source of local income is important due to the fact that certain items of earnings are more likely to be 'at risk' of being lost to the local economy in the event of the closure or rundown of the site than others.

In addition to the direct income and employment effects summarised in Table 9.2 there are also indirect and induced effects generated by the multiplier process. The induced effect starts life with the wage expenditure of employees and commuters who work at Fleetlands the indirect effect results from the direct expenditure of the company itself. This primary spending creates the income for local firms that sell to employees and the base and thus

[36] Income tax and national insurance contributions have been deducted from gross earnings to provide estimates of net income.

Table 9.2 – Fleetlands Vector Aerospace – Baseline Summary Table of DIRECT Employment and Income 2008

	Employment				Domicile		Income
Fleetlands (VAHS)	Civilians		Service	Total	Total	Total	Total
	FT Civilian Employees	Contract Staff	Premanent Service Personnel	Total Employees	Permanent Residents	Resident Only during Week	Total Income of Residents
ALVERSTOKE	Ward data withheld to protect anonymity of individuals			22	22	Ward data withheld to protect anonymity of individuals	£413,664
ANGLESEY				14	14		£340,926
BRIDGEMARY NORTH				58	58		£1,070,460
BRIDGEMARY SOUTH				35	35		£619,612
BROCKHURST				43	37		£745,798
CHRISTCHURCH				32	32		£592,218
ELSON				40	40		£781,134
FORTON				28	27		£544,517
GRANGE				19	19		£322,727
HARDWAY				51	51		£970,679
LEE EAST				24	24		£473,560
LEE WEST				6	6		£138,920
LEESLAND				30	30		£534,053
PEEL COMMON				36	36		£641,850
PRIVETT				21	21		£407,020
ROWNER AND HOLBROOK				33	33		£689,980
TOWN				12	12		£223,718
Total Living in Gosport	371	94	39	504	497	7	£9,510,837
Commuters Living Outside Gosport	426	109	74	608	Civilian/contract 'in-commuters'		£736,938
Total Employed/Training on site	796	203	113	1112	Service 'in-Commuters'		£102,120
					Expenditure on Goods and Services		£751,893
					Total Local Net Income		£11,101,789
					Leakages from local economy		£4,905,135
					1st round spending within Gosport		£6,196,653
					Overall induced expenditure		£2,181,764
					Overall indirect expenditure		£343,149
					Grand total local expenditure		£8,721,566
					Direct defence related FTE jobs		1,112
					Overall multiplier FTE jobs		100
					Grand total FTE jobs		1,212

Source: CLREA, 2008

creates the wealth to support other local jobs in shops and businesses. The staff of the shops and businesses receiving the initial income will also spend a portion of their wages locally and this supports further jobs throughout the local economy.

9.4 Vector Aerospace – Background to Scenario Changes

The takeover of DARA Fleetlands by Vector Aerospace means that any assumptions regarding future developments at the site must by their very nature be speculative. Vector Aerospace is a global provider of military and civilian aviation, repair, maintenance and overhaul and this fits well with the current activities provided at the Fleetlands site. The Fleetlands facility currently provides maintenance, repair and support for the MoD's Chinook (CH-47), Lynx and Sea King helicopters. Vector has indicated that the acquired DARA businesses will continue to meet the operational output in support of MoD requirements. In the long term, Vector intends to expand the acquired businesses to include new customers and platforms, and create a European centre of excellence in helicopter maintenance. Donald Jackson, Chairman, President and CEO of Vector Aerospace Corporation, said: "*We see significant opportunities for growth and we shall now be working with our associates at Almondbank and Fleetlands to optimise this potential.*"

Given this uncertainty about any immediate changes in Vector's plans, we have assumed that the most likely scenario is that things will stay largely as they are currently. The most important outcome of the takeover is that the decision seems to have secured the immediate future of the site and its jobs. We therefore anticipate little change in future employment at the site as summarised in Table 9.3. However, as previously stressed, if new information becomes available (e.g. possible expansion plans) then these could easily be incorporated into the CLREA model.

Table 9.3 – Vector Aerospace – Summary of Assumed Scenario Changes 2008 to 2017

Numbers	Estimated Change	Income	Estimated Change
Civilian Employees	0%	**Civilian Residents**	0%
Contract Staff	0%	**Contract Staff**	0%
Service Personnel	0%	**Expenditure on Goods and Services**	-10%
Service Permanent Residents	0%	**Permanent Service Residents**	0%
Service Weekly Residents	0%	**Weekly' Service Residents**	0%
Notes: *- Numbers of civilian and service personnel remain unchanged as the future of the site is 'secured'.* *- Income of Civilians and Service personnel remains unchanged in 'real terms'.* *- Expenditure on goods and services falls by 10% as some supplies and services are outsourced.*			

Source: CLREA, 2008

Chapter 10 – Scenario Four: HMNB Portsmouth and Portsmouth Ships

Aerial view of Portsmouth Naval Base

10.1 Introduction

Portsmouth Naval Base is one of the largest industrial complexes in Europe and is the home of a large part of the Royal Navy's surface fleet. The base covers an area of 120 hectares and is an important generator of employment both in and around Portsmouth. The decision in July 2007 to retain both Portsmouth and Plymouth Naval Bases, along with the choice of HMNB Portsmouth as the future home of the two new aircraft carriers that are to be constructed for the Royal Navy, have secured the base's future for several years to come.

10.2 Portsmouth Naval Base – Current Employment

Portsmouth Naval Base is a major employer within the City of Portsmouth both in terms of employing civilian and service personnel. Table 10.2 shows that a total of 13,600 civilian and service personnel are employed at the base and on ships stationed there. The base employs a total of 5,600 civilians and 8,000 service personnel. In the region of 5,700 service personnel are the crew of Portsmouth based ships whilst the remaining 2,300 work within the base in a variety of administrative roles.

Table 10.2 – Numbers Currently Employed at Portsmouth Naval Base

	Civilians	Contract	HMNB Service	Service - Ships Crew	Total
Living in the Borough	662	238	352	755	2007
Living Outside Gosport	3847	873	1956	4925	11601
Total	4509	1111	2308	5680	13608

Source: CLREA, 2008

Of the 13,600 people working on the base, or on ships based there, 2,000 are Gosport residents. This number consists of 900 civilians who live in Gosport but commute into work in Portsmouth on a daily basis and 1,100 service personnel who reside within Gosport but either work at HMNB Portsmouth or are part of the crew of a locally based ship. Table 10.2 shows that those who work at HMNB Portsmouth, but live in Gosport, are spread fairly evenly throughout the Borough, with slightly higher numbers in the wards of Rowner, Grange, Brockhurst and Hardway where some of the naval quarters are located.

10.3 HMNB Portsmouth – Current Economic Impact

The employment generated by Portsmouth Naval Base and its associated ships has important economic consequences for the Gosport economy due to the large number of civilian and service personnel who live within the Borough. The fact that these people live within the Borough means that they spend a large part of their income within Gosport. Table 10.2 provides a summary of the main direct income benefits generated by the Naval Base to Gosport. The table shows that a total of just over £36m of net income[37] accrues to the Gosport local economy as a result of the 2,000 Gosport residents who are employed there.

In addition to the direct income and employment effects shown in Table 10.2, there are also indirect and induced effects generated by the multiplier process. These multiplier effects result from the expenditure of Naval Base employees and locally resident ship's crew on goods and services bought from Borough firms and businesses. Table 10.2 shows that of the £36m of net income that accrues to these Gosport residents, £17.5m stays within the local economy as 'first round spending'. This expenditure on various items and services creates a multiplier effect as recipient businesses and their employees then spend this money received on their own purchases or on supplies and services from other firms within the local supply chain.

The result of these various 'knock on' effects, as shown in Table 10.2, is that an additional £7m of indirect and induced expenditures are created, over and above the £17.5m of direct first round spending. This analysis shows that a grand total of £24.5m of local expenditure within the Gosport economy results from the employment of Gosport residents at the Naval Base and the decision of service personnel stationed there to live within the Borough.

The net result of this multiplier process is that an estimated additional 270 jobs within Gosport are created and supported by this process. These figures serve to underline the importance of the presence, and continued operation, of the Naval Base to Gosport as well as to Portsmouth. The importance of the Naval Base's long-held position at the centre of the defence sector's presence within the Portsmouth area, is reflected by the high number of local associated defence establishments and firms that specialise in the provision of goods and services to this sector.

[37] Income tax and national insurance contributions have been deducted from gross earnings to provide estimates of net income.

Table 10.2 – HMNB Portsmouth and Portsmouth Based Ships

– Baseline Summary Table of DIRECT Employment and Income 2008

HMNB Portsmouth and Portsmouth Based Ships	Employment				Domicile	Income
	Civilians		Service	Total	Total	Total
	FT Civilian Employees	Contract Staff	Service Personnel	Total Employees	Permanent Residents	Total Income to Residents
ALVERSTOKE	Ward data withheld to protect anonymity of individuals			97	97	£2,602,338
ANGLESEY				98	98	£2,161,995
BRIDGEMARY NORTH				70	70	£1,196,111
BRIDGEMARY SOUTH				96	96	£1,617,136
BROCKHURST				160	160	£2,667,959
CHRISTCHURCH				127	127	£2,335,930
ELSON				117	117	£1,976,976
FORTON				112	112	£1,831,502
GRANGE				166	166	£2,595,566
HARDWAY				167	167	£3,037,747
LEE EAST				128	128	£2,460,936
LEE WEST				75	75	£1,506,237
LEESLAND				127	127	£2,075,478
PEEL COMMON				60	60	£1,107,819
PRIVETT				94	94	£1,719,606
ROWNER AND HOLBROOK				237	237	£3,854,085
TOWN				77	77	£1,385,882
Total Living in Gosport	662	238	1,107	2,007	2,007	£36,133,304
Commuters living outside Gosport	na	na	na	na		
Total Employed on site	4,509	1,111	7,988	13,608		

Expenditure on Goods and Services	£0
Total Local Net Income	£36,133,304
Leakages from local economy	£18,630,310
1st round spending within Gosport	£17,502,994
Overall induced expenditure	£6,952,646
Overall indirect expenditure	£0
Grand total local expenditure	£24,455,639
Direct defence related FTE jobs	0
Overall multiplier FTE jobs	268
Grand total FTE jobs	268

Source: CLREA, 2008

10.4 Portsmouth Naval Base – Background to Scenario Changes

In July 2007 the decision was taken that HMNB Portsmouth would be retained, albeit with the possibility that some of its operations might be rationalised. In addition, it was announced that the two new super carriers, HMS Queen Elizabeth II and HMS Prince of Wales – would be partially constructed and base-ported at Portsmouth, entering service in 2014 and 2016 respectively. It has been reported that the rationalisations announced as part of the defence review process will involve the loss of around 700-1000 jobs across the three naval bases at Portsmouth, Plymouth and Faslane. Given that these job reductions are likely to be concentrated at Plymouth and Portsmouth; this is equivalent to an approximate 15% reduction in the current workforce at HMNB Portsmouth. However, the carrier project should create approximately 1,000 jobs in each of the main yards; as a result there should be no net change in employment at Portsmouth in the short to medium-term.

Portsmouth-based Ships

Estimating the likely scenario for the number of crew on Portsmouth based ships in the future is somewhat problematic. Whilst the two new planned super carriers will need larger crews than the Royal Navy's current aircraft carriers, there are question marks over the size of the Type 45 destroyer fleet. This uncertainty was highlighted by the decision in June 2008 that the number of Type 45 destroyers on order will not be increased to eight as was previously planned. Trends show that naval manpower numbers have fallen by around 2% per annum over the last 10 years. If these trends continue, then the reduction over the next ten years might reasonably be expected to be in the region of 15 to 20%. However, it is unlikely that this rate of decline can continue indefinitely and the figures in Table 10.3 assume that the trend slows to that experienced by the army of around 10% or less.

Table 10.3 – Portsmouth Naval Base and Portsmouth Based Ships

Summary of Assumed Scenario Changes 2008 to 2017

Numbers	Estimated Change	Income	Estimated Change
Civilian Employees	0%	**Civilian Residents**	0%
Contract Staff	0%	**Contract Staff**	0%
Service Personnel	-10%	**Expenditure on Goods and Services**	N/A
Service Permanent Residents	-10%	**Permanent Service Residents**	-10%

Notes:
- Numbers of civilian employees remain unchanged as the future of the base is 'secured'.
- Numbers and Income of Service personnel falls by 10%
- Expenditure on goods and services not applicable to HMNB and Portsmouth based ships

Source: CLREA, 2008

10.5 Outcomes of Scenario Changes

Table 10.4 provides a detailed summary of how future changes at Portsmouth Naval Base and the ships base ported there, as shown in Table 10.3, are likely to impact upon the Gosport economy. The table shows that the main change is a gradual reduction in the number of service personnel stationed at the base and on ships there. The total number of service posts lost over the period to 2017 is expected to be around 800 at a rate of around 80 per annum. Of the posts lost it is estimated that around 110 will relate to personnel that currently live in Gosport.

The headline economic implication of this gradual decline in numbers is that in the region of £2m in net income is expected to be lost from the Gosport economy over the 10 year period. As around 50% of this money leaks out of the Borough in the first round, this represents a first round expenditure loss of just under £1m. Additionally, the Borough economy might be expected to lose approximately £0.4m of indirect and induced spending and 15 jobs.

These figures show that although there may be some slight impact upon the Gosport economy from a gradual decline in the number of service personnel employed at HMNB Portsmouth and on ships based there, the effect is likely to be relatively small. This scenario is based upon the premise that following the Naval Base review in 2007 and the decision not only to retain Portsmouth Naval Base but also for it to be the base port of the new super carriers, that its future is relatively secure. However, given Gosport's high level of dependency upon the presence of the Royal Navy in Portsmouth, as shown in Table 10.2, any changes to the Naval Base's situation in the future might have severe consequences for the Borough economy.

Table 10.4 – HMNB Portsmouth and Portsmouth Based Ships

– Post Scenario Summary Table of DIRECT changes in Employment and Income to 2017

HMNB Portsmouth and Portsmouth Based Ships	Employment				Domicile	Income
	Civilians		Service	Total	Total	Total
	FT Civilian Employees	Contract Staff	Service Personnel	Total Employees	Permanent Residents	Total Income to Residents
ALVERSTOKE	Ward data withheld to protect anonymity of individuals			-6	-6	-£176,938
ANGLESEY				-7	-7	-£164,363
BRIDGEMARY NORTH				-2	-2	-£30,223
BRIDGEMARY SOUTH				-4	-4	-£70,921
BROCKHURST				-10	-10	-£164,944
CHRISTCHURCH				-6	-6	-£110,076
ELSON				-4	-4	-£71,336
FORTON				-5	-5	-£80,275
GRANGE				-12	-12	-£180,170
HARDWAY				-9	-9	-£168,963
LEE EAST				-8	-8	-£162,469
LEE WEST				-5	-5	-£101,815
LEESLAND				-6	-6	-£92,333
PEEL COMMON				-2	-2	-£32,171
PRIVETT				-4	-4	-£86,296
ROWNER AND HOLBROOK				-18	-18	-£289,424
TOWN				-4	-4	-£76,840
Total Living in Gosport	0	0	-111	-111	-111	-£2,059,556
Commuters living outside Gosport	na	na	na	na		
Total Employed on site	0	0	-799	-799		
				Expenditure on Goods and Services		£0
				Total Local Net Income		-£2,059,556
				Leakages from local economy		-£1,061,906
				1st round spending within Gosport		-£997,650
				Overall induced expenditure		-£396,293
				Overall indirect expenditure		£0
				Grand total local expenditure		-£1,393,943
				Direct defence related FTE jobs		0
				Overall multiplier FTE jobs		-15
				Grand total FTE jobs		-15

Source: CLREA, 2008

Chapter 11 – Analysis of Combined Scenario Impacts

11.1 Introduction

This final chapter of the report analyses the combined impact of the various local defence establishments upon the economy of Gosport. Initially, this section of the report examines the current 'baseline' direct and indirect impacts of these establishments upon the Borough in terms of employment and income. Next, it reviews the overall scenario changes and their impact on the local economy. The chapter concludes by drawing together the main findings.

11.2 Current Direct Employment

Table 11.1 provide a summary of the baseline employment generated by local defence establishments. The table shows that there are currently just under 22,500 people working, stationed or training at one of the 14 defence related establishments located either within, or in close proximity to, Gosport. This number consists of just over 10,500 civilian staff (either permanent or contract staff), 9,500 service personnel and 2,400 service trainees. Out of this total just over 6,000 jobs are located within Gosport itself, the remainder are either located in Portsmouth at the Naval Base or in the neighbouring Borough of Fareham. Just over 5,250 of the people working or stationed in one of the 14 establishments identified is resident within Gosport and an estimated 1,030 more live within the Borough during the working week. Just under 2,400 defence workers commute into the Borough to work each day.

Table 11.1 – Numbers Currently Employed and Training in Local Defence Establishments

	Civilians	Contract	Service Staff	Service Training	Total
Living in the Borough	2,486	868	1,675	236	5,262
Living on the base during the week	na	na	na	1,032	1,032
Commuting into the Borough	1,335	398	457	192	2,382
Total living in, or commuting into, Gosport	3,821	1,266	2,129	1,460	8,676
Total Employed at local Defence Establishments	8,186	2,359	9,516	2,400	22,461

Source: CLREA, 2008 Note: Figures are rounded to the nearest 25.

Table 11.2 provide a detailed breakdown of the direct local employment and income accruing to the various wards throughout Gosport Borough, showing the wards in Gosport within which the permanent staff employed by local defence establishments reside. Defence personnel are fairly evenly spread throughout the Borough, with a low of 180 individuals in Lee West to a high of 530 people in Rowner and Holbrook. This information is important as it highlights where the residential impact of any reductions in defence employees will fall.

Table 11.2 - Summary Table of Borough Defence Related DIRECT Employment and Income by Ward 2008

	Employment					Domicile		Income
	Civilians		Service		Total	Total	Total	Total
ALL Gosport Defence Establishments	FT Civilian Employees	Contract Staff	Permanent Service Personnel	Trainees	Total Employees + Trainees	Permanent Residents	Resident Only during Week	Total Income of Residents and Trainees
ALVERSTOKE	132	33	85	5	255	248	7	£6,245,921
ANGLESEY	89	26	180	8	302	216	86	£5,852,168
BRIDGEMARY NORTH	166	68	25	1	260	259	1	£4,258,250
BRIDGEMARY SOUTH	159	63	59	6	288	281	7	£4,603,910
BROCKHURST	160	63	174	78	475	368	107	£7,207,451
CHRISTCHURCH	158	45	78	12	293	292	1	£5,378,574
ELSON	193	74	57	10	333	331	2	£5,620,643
FORTON	161	59	69	4	293	291	2	£4,857,017
GRANGE	133	48	155	30	367	354	13	£5,881,525
HARDWAY	223	78	121	13	436	431	5	£7,791,277
LEE EAST	132	39	116	6	292	290	2	£5,706,389
LEE WEST	81	20	76	5	181	174	7	£3,730,467
LEESLAND	171	53	77	8	309	307	2	£5,011,538
PEEL COMMON	150	57	24	1	231	231	0	£4,001,049
PRIVETT	126	37	64	3	229	227	2	£4,227,911
ROWNER AND HOLBROOK	162	72	256	39	529	508	21	£8,976,771
TOWN	89	35	58	7	189	186	3	£3,328,105
Total Living in Gosport	2486	868	1672	236	5262	4994	268	£92,678,966
Living on Base during Week	na	0	na	1032	1032	Civilian/contract 'in-commuters'		£2,362,520
Commuters Living Outside Gosport	1335	398	457	192	2382	Service 'in-Commuters'		£895,620
Total jobs on bases in and around Gosport	8186	2359	9516	2400	22461	Trainees		£7,901,631
						Expenditure on Goods and Services		£3,356,592
						Total Local Net Income		£107,195,330
						Leakage from local economy		£52,024,543
						1st round spending within Gosport		£55,170,786
						Overall induced expenditure		£20,834,477
						Overall indirect expenditure		£1,541,344
						Grand total local expenditure		£77,546,608
						All jobs within the local economy		
						Direct defence related FTE jobs		6,015
						Overall multiplier FTE jobs		891
						Grand total FTE jobs		6,906

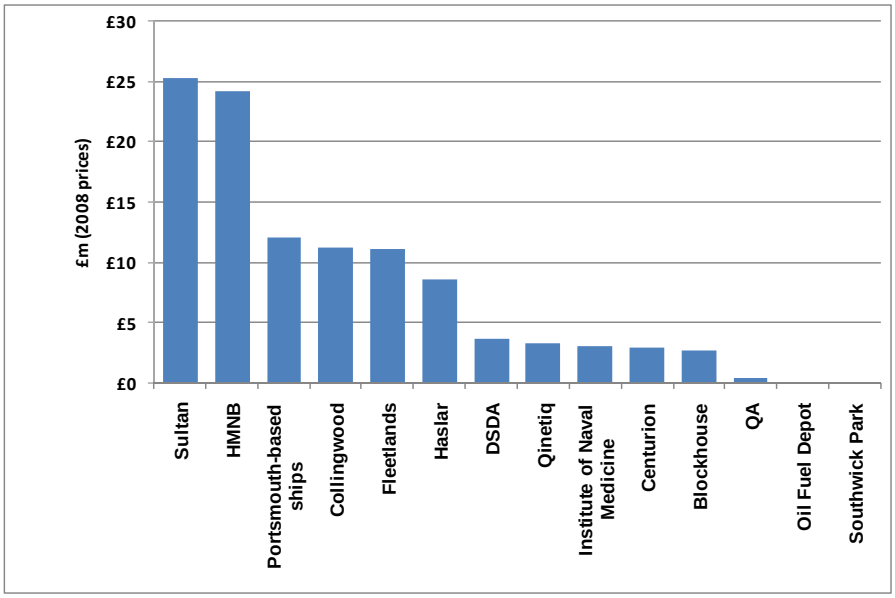
Source: CLREA, 2008

11.3 Current Economic Impact of Local Defence Establishments

The employment generated by local defence establishments has important economic consequences for the Gosport economy. In addition to the direct income that accrues to those working and living within the Borough, commuters and those on training courses spend part of their income within the local economy. Defence bases also purchase goods and services for site maintenance and operation, some of which may be bought from local firms.

Table 11.3 provides a detailed breakdown of the main direct income benefits generated by each of the various local defence establishments. The table shows that a total of £107m of net income[38] accrues to the Gosport local economy. The largest part of this is paid in wages to service, civilian and contract staff who live within the Borough, with civilian employees earning just under £58m and service personnel (including trainees) £46m. The most important generators of local income are HMS Sultan and Portsmouth Naval Base, injecting £25m and £24m respectively into the Borough economy. It is interesting to note that in the case of HMS Sultan the largest part of this income (59%) accrues from service personnel and trainees, whereas in the case of the Naval Base the reverse is true with the largest part (64%) accruing to Civilian and contract employees. The significance of these figures is that in the case of rundown or closure of an establishment, service personnel and trainees will have a greater propensity to relocate elsewhere than civilian employees.

Figure 11.1 – Baseline Net Income Injected into Gosport Economy by Establishment



Source: CLREA, 2008

[38] Income tax and national insurance contributions have been deducted from gross earnings to provide estimates of net income.

Table 11.3 - Baseline Summary Table of Borough Defence Related DIRECT Employment and Income 2008

	Service Personnel			Civilian Employees Including contractors		Expenditure Within The Local Economy			
ESTABLISHMENT	Number Employed	Trainees	*of which* Resident in Borough[1]	Number Employed[4]	*of which* Resident in Borough	By Service Employees and Trainees[2]	By Civilian Employees[2]	By Establishment on Goods and Services	Total Local Expenditure
Blockhouse	160	*na*	105	227	122	£1,759,049	£1,843,641	£174,057	£3,776,748
Centurion	34	*na*	13	284	152	£358,077	£2,355,587	£192,233	£2,905,897
DSDA	na	*na*	na	340	232	*na*	£3,439,688	£205,172	£3,644,860
Fleetlands	113	*na*	39	999	465	£1,005,090	£9,344,805	£751,893	£11,101,789
Haslar	81	*na*	45	581	312	£812,984	£5,277,201	£330,863	£6,421,047
Institute of Naval Medicine	28	74	19	163	87	£1,468,233	£1,474,069	£141,094	£3,083,396
Sultan	439	1,331	358	818	489	£14,763,529	£8,980,511	£1,413,407	£25,157,448
Qinetiq	*na*	*na*	*na*	335	180	*na*	£3,108,773	£142,943	£3,251,716
Oil Fuel Depot	*na*	*na*	*na*	9	5	*na*	£74,292	£4,929	£79,221
QA[3]	37	*na*	16	*na*	*na*	£427,734	*na*	*na*	£427,734
Southwick Park[3]	42	*na*	4	*na*	*na*	£57,526	*na*	*na*	£57,526
Collingwood[3]	594	995	202	1170	411	£4,889,098	£6,265,546	*na*	£11,154,644
HMNB[3]	2308	*na*	352	5,620	900	£8,563,208	£15,537,744	*na*	£24,100,952
Portsmouth-based ships[3]	5680	*na*	755	*na*	*na*	£12,032,352	*na*	*na*	£12,032,352
Total net direct jobs	9,516	2,400	1,908	10,545	3,354	£46,136,879	£57,701,859	£3,356,592	£107,195,330

Leakage from local economy	£52,024,543
1st round spending within the local economy	£55,170,786
Overall induced expenditure	£20,834,477
Overall indirect expenditure	£1,541,344
Grand total local expenditure	£77,546,608
All jobs within the local economy	
Direct defence related FTE jobs in Borough	6,015
Overall multiplier effect FTE jobs in Borough	891
Grand total FTE jobs in Borough	6,906

Notes:

1 This includes both Permanent residents and those who only stay during the week

2 This includes the daily spend of commuters who live outside borough

3 These establishments are located outside the borough in neighbouring authority areas

4 This figure includes both full time and contract staff

Source: CLREA, 2008

In addition to the direct income and employment effects summarised in Table 11.3, there are also indirect and induced effects generated by the multiplier process. The net income that flows into the local economy leads to primary spending providing income for the local firms which sell to the employees and the base. The wealth this creates supports other local jobs in these shops and businesses. The staff of the shops and businesses receiving the initial income will also spend a portion of their wages locally. When these businesses need to restock, part of that restocking will come from other local firms and this secondary demand will create additional jobs throughout the local supply chain. In essence a diminishing ripple effect is created throughout the local economy as a smaller and smaller portion of restocking takes place along the supply chain.

These effects are captured through the use of an input-output model of the Gosport economy developed by CLREA specifically for this study. The aim of this model is to simulate the structure of the local economy and the business interactions and supply chain linkages that take place between firms and between households and firms. The outcomes of this multiplier process are shown in Table 11.4.

The table shows that of the £107m of net income that flows into the Gosport economy as a result of the presence of local defence establishments, approximately £55m is spent locally. The remainder leaks out of the local economy as consumers purchases goods and services that are not produced locally and are thus 'imported' from outside of the Borough. A simple example of this would be money spent on leisure, shopping or eating out in Fareham or Portsmouth. The multiplier interactions and supply chain effects that this expenditure creates leads to an additional £22m worth of local output being generated, resulting in an output multiplier of 1.4. This means that every £100 of local defence related expenditure generates an additional £40 of local output.

The final columns of Table 11.4 show that in addition to the 6,015 'direct' defence jobs located within the Borough, an additional 890 jobs are supported by the indirect and induced expenditures created by the local defence establishments. For every job created by 'first round' spending, another 0.37 jobs are created through the indirect and induced effects producing an employment multiplier of 1.37. This means that a total of just over 6,900 jobs within the Borough are directly or indirectly dependent upon the defence sector. This figure, which is equivalent to 1 in 3 of all jobs within the Borough, serves to emphasise the extremely high dependency of the Borough's economy upon the defence sector.

Table 11.4 – Summary of Baseline Direct and Multiplier Impacts of the Local Defence Sector upon the Gosport Economy

	Total Gosport Economy		Defence Related Output			Defence Related Employment		
Industry Sector	Local Output (£m)	Local FTE Employment	Direct Expenditure	Multiplier Effect	Total Impact	Direct Employment	Multiplier Effect	Total Employment
Primary products	£9.4	125	£0.5	£0.3	£0.8	0	11	11
Manufacturing and utilities	£458.3	3,149	£4.3	£4.6	£8.9	999	73	1072
Construction	£135.0	1,308	£1.0	£2.2	£3.3	0	32	32
Private motor vehicle transportation	£25.6	285	£3.0	£0.5	£3.5	0	39	39
Wholesale distribution	£89.1	949	£5.6	£1.2	£6.8	0	72	72
Retail distribution	£76.6	1,539	£12.6	£0.0	£12.6	0	254	254
Hotels and catering	£53.7	991	£4.8	£0.3	£5.1	0	94	94
Other transport services	£88.0	640	£1.2	£3.5	£4.8	0	43	43
Postal and telecommunications	£26.2	268	£0.8	£0.7	£1.5	0	14	14
Banking and finance	£31.2	180	£0.4	£0.8	£1.2	0	7	7
Property letting and sales	£108.9	343	£9.9	£1.6	£11.5	0	21	21
Business services	£211.4	2,766	£0.7	£3.8	£4.6	1217	62	1279
Public administration and defence	£336.4	3,909	£2.4	£0.2	£2.6	3168	30	3198
Education and health	£211.9	3,802	£3.2	£1.4	£4.5	631	81	712
Culture, recreation and sport	£46.6	543	£3.1	£0.8	£3.9	0	46	46
Other services	£30.8	630	£1.6	£0.3	£2.0	0	12	12
Total	**£1,939.1**	**21,429**	**£55.2**	**£22.4**	**£77.5**	**6015**	**891**	**6906**
Multiplier Values			**Output Multiplier**		**1.41**	**Employment Multiplier**		**1.37**

Source: CLREA, 2008

Table 11.5 – Summary of Assumed Scenario Changes as at June 2008

Establishment	Civilian Employees	Contract Staff	Service Personnel	Permanent Service Residents INCOME	Weekly' Service Residents INCOME	Civilian Residents INCOME	Contract Staff INCOME	Expenditure on Goods and Services
HMS Sultan	-80%	-80%	-90%	-60%	-80%	-80%	-80%	-50%
RH Haslar[1]	-90%	-90%	-100%	-30%	-100%	-30%	-30%	-50%
Vector Aerospace Fleetlands	0%	0%	0%	0%	0%	0%	0%	-10%
Blockhouse	-50%	-50%	-50%	-50%	-50%	-50%	-50%	-50%
DSDA	0%	0%	na	0%	0%	0%	0%	0%
Institute of Naval Medicine	0%	0%	0%	0%	0%	0%	0%	0%
QinetiQ	0%	0%	na	Na	na	0%	0%	0%
Centurion[2]	10%	0%	0%	0%	0%	10%	0%	0%
Oil Fuel Depot	0%	0%	na	Na	na	0%	0%	0%
HMNB Portsmouth	0%	0%	-10%	-10%	na	0%	0%	na
Portsmouth Based Ships	na	na	-10%	-10%	na	Na	na	na
HMS Collingwood	-5%	-5%	-5%	-5%	-5%	-5%	-5%	na
QA Hospital[1]	Na	na	100%	200%	na	na	na	na
Southwick Park	na	na	100%	100%	na	na	na	na

Source: CLREA, 2008

Note: A figure of zero percent signifies no change from the current position, a negative percentage a reduction and a positive percentage an increase.

[1] It is assumed that a significant proportion of the service personnel working at Haslar hospital who are permanently resident in Gosport will relocate to QA upon the closure of Haslar. These individuals are likely to retain their homes within the Borough and hence will continue to spend a large proportion of their income within the local economy; this is incorporated within the Haslar figure above. The relocation to QA of around 90% of the service personnel currently at Haslar would constitute approximately double the current service personnel workforce at QA.

[2]The figures for Centurion are a conservative estimate given the expectation that the total number of relocated jobs will be fewer than the reported 160 and some of these jobs may replace existing posts at Centurion, where the incumbent post-holder may have retired or been lost through other forms of natural wastage.

11.4 Summary of Assumed Scenario Changes

As detailed in Chapter 6, the modelling techniques adopted in this report allow for the impacts of a wide range of different scenarios to be estimated. Whilst it is possible to provide details of the 'most likely' scenarios given current information and MoD policy, these are likely to change over time as policy and economic conditions alter. Chapter 6 provides information on a range of different scenarios for each of the local defence establishments ranging from the pessimistic to the more optimistic.

Table 11.5 reproduces the assumed set of 'most likely' scenario changes for each establishment given current information. It should be stressed at this point that this table provides just one set of assumptions for each establishment. However, the structure of the model produced as part of this report allows for any combination of assumptions to be run for any combination of local defence establishments. Table 11.5 contains 112 cells each representing a single assumption for each establishment e.g. the likely change in the number of service personnel at HMS Sultan. Given this, the model allows for changes to be made to each and every one of these cells ranging from just one single change to changes to all 112 assumptions. It is this flexibility that is the cornerstone of the model allowing for new scenarios to be run as situations change and information is updated.

Table 11.5 shows that the assumptions used for the 'most likely' scenarios range from no change (e.g. most cases at Vector Aerospace Fleetlands), to a low of -100% at Haslar and a high of +200% at QA Hospital. These assumptions highlight the range of different scenarios faced by the various local establishments and the difficulties faced in trying to estimate the likely extent of the different scenario situations. The assumptions detailed in Table 11.5 were input into the scenario model and the various outcomes for the individual establishments were aggregated in order to estimate their combined impact. These impacts are summarised in Tables 11.6 and 11.7.

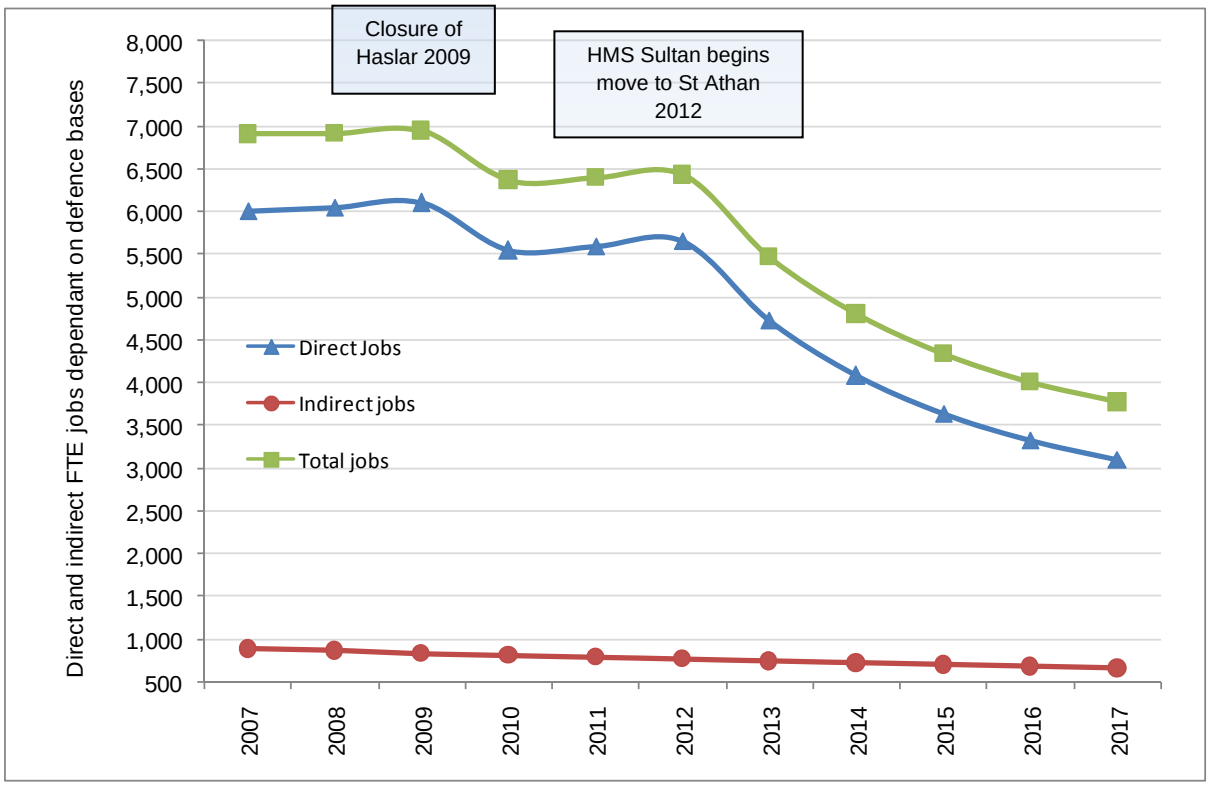
11.5 Summary of Impacts of Assumed Scenario Changes

Table 11.6 shows the impacts of the combined scenario upon Gosport as a whole and by individual wards. In contrast, Table 11.7 shows the impact broken down by individual establishment. Both tables show that it is estimated that a total of just under 3,800 direct jobs would be lost at bases and establishments in and around Gosport as a consequence of the assumptions detailed in table 11.5. Out of this total in the region of 3,050 would be lost from establishments located within Gosport. As seen in chapters 7 and 8, the reason for this is that the majority of job losses fall upon HMS Sultan and Haslar Hospital. Table 11.6 also shows that of the total of 3,900 or more jobs that it is estimated would be lost over the period to 2017/18, over 1,300 would be lost to employees who currently reside within Gosport on a

permanent basis. In addition to the direct jobs lost within Gosport, it is also estimated that another 230 jobs would be lost as a consequence of the multiplier process impacting upon associated local businesses. In total this means that in the region of a total of 3,300 jobs would be lost within the Borough of Gosport over the period up to 2017/18. Thus it is very clear that any future job losses in the local defence establishments examined in this report will fall disproportionately upon Gosport where the most 'at risk' establishments are located.

Tables 11.6 and 11.7 show the difference between estimates of employment and income for the current baseline of 2008 and for 2017 when all of the projected scenario changes have taken place. It is of course unrealistic to assume that these changes will take place instantaneously in 2017. In reality Haslar hospital is set to close in 2009 and HMS Sultan is likely to go through a period of change, initially increasing its numbers in the short term as Sultan pulls in a large part of army (REME) training. However, in the longer term numbers at HMS Sultan will potentially fall dramatically as most of its activities relocate to St Athan. Figure 11.2 provides a summary of how these changes in employment are likely to impact over the ten year period. Starting from a total of just over 6,900 jobs in 2007 there is a slight upswing in job numbers in 2008/9 but this is offset by the projected closure of Haslar Hospital in 2009. The next major downturn is forecast for 2012 as HMS Sultan begins a gradual movement of personnel to St Athan and a possible programme of natural wastage.

Figure 11.2 – Pattern of Defence Related Employment Change 2007 to 2017



Source: CLREA, 2008

Table 11.6 – All Defence Related Establishments

– Post Scenario Summary Table of DIRECT changes in Employment and Income 2017 By Ward

	Employment					Domicile		Income
	Civilians		Service		Total	Total	Total	Total
ALL Gosport Defence Establishments	FT Civilian Employees	Contract Staff	Permanent Service Personnel	Trainees	Total Employees + Trainees	Permanent Residents	Resident Only during Week	Total Income of Residents and Trainees
ALVERSTOKE	-35	-8	-17	-2	-62	-55	-3	-£1,207,775
ANGLESEY	-25	-8	-62	-3	-97	-40	-49	-£1,376,578
BRIDGEMARY NORTH	-29	-19	-4	-1	-52	-51	0	-£569,149
BRIDGEMARY SOUTH	-29	-19	-11	-4	-63	-57	-3	-£777,447
BROCKHURST	-29	-21	-54	-57	-161	-79	-74	-£1,783,892
CHRISTCHURCH	-27	-13	-14	-7	-61	-57	-1	-£846,825
ELSON	-34	-23	-9	-7	-72	-67	-2	-£859,234
FORTON	-30	-19	-14	-4	-67	-62	0	-£822,730
GRANGE	-26	-15	-33	-17	-91	-73	-7	-£1,197,814
HARDWAY	-41	-22	-20	-6	-89	-81	-2	-£1,255,073
LEE EAST	-26	-10	-20	-4	-60	-54	-1	-£958,770
LEE WEST	-21	-5	-15	-1	-41	-36	-3	-£787,315
LEESLAND	-30	-16	-14	-4	-65	-59	-1	-£768,531
PEEL COMMON	-28	-14	-5	0	-47	-46	0	-£620,397
PRIVETT	-26	-11	-16	-2	-55	-49	-2	-£847,444
ROWNER AND HOLBROOK	-28	-22	-43	-28	-120	-93	-13	-£1,529,323
TOWN	-19	-13	-10	-3	-44	-42	-1	-£629,337
Total change in MoD employees living in Gosport - post scenario	-483	-255	-360	-149	-1248	-1001	-162	-£16,837,634
Change in nunber living on Gosport bases during Week				-811	-811		Civilian/contract 'in-commuters'	-£751,961
Change in number of MoD commuters coming into Gosport	-394	-130	-294	-129	-947		Service 'in-Commuters'	-£583,326
Total jobs on bases in and around Gosport	-903	-418	-1306	-1136	-3763		Trainees	-£6,116,118
							Expenditure on Goods and Services	-£1,001,390
							Change in total Local Net Income	-£25,290,429
							Change in leakage from local economy	-£11,955,052
							Change in 1st round spending within Gosport	-£13,335,377
							Change in overall induced expenditure	-£5,061,451
							Cahnge in overall indirect expenditure	-£460,379
							Change in grand total local expenditure	-£18,857,208
							Change in direct FTE jobs in Borough	
							Change in overall multiplier effect FTE jobs	-2,905
							Change in total FTE jobs in Borough	-227
							Grand total FTE jobs	-3,132

Source: CLREA, 2008

Table 11.7 – All Defence Related Establishments

– Post Scenario Summary Table of DIRECT changes in Employment and Income 2017 By Establishment

	Service Personnel *Change in*			Civilian Employees *Change in*		Expenditure Within The Local Economy *Change in*			
ESTABLISHMENT	Number Employed	Number of Trainees	Resident in Borough[1]	Number Employed	Resident in Borough	By Service Employees and Trainees[2]	By Civilian Employees[2]	By Establishment on Goods and Services	Total Local Expenditure
Blockhouse	-80	*na*	-53	-114	-61	-£879,525	-£921,821	-£87,029	-£1,888,374
Centurion	0	*na*	0	28	15	£0	£235,559	£0	£235,559
DSDA	*na*	*na*	*na*	0	0	*na*	£0	£0	£0
Vector Fleetlands	0	*na*	0	0	0	£0	£0	-£75,189	-£75,189
Haslar	-81	*na*	-45	-523	-280	-£508,390	-£1,806,252	-£165,432	-£2,480,073
Institute of Naval Medicine	0	0	0	0	0	£0	£0	£32,963	£32,963
Sultan	-395	-1086	-311	-654	-391	-£10,899,933	-£7,184,409	-£706,704	-£18,791,046
Qinetiq	*na*	*na*	*na*	0	0	*na*	£0	£0	£0
Oil Fuel Depot	*na*	*na*	*na*	0	0	*na*	£0	£0	£0
QA[3]	37	*na*	16	*na*	*na*	£329,079	*na*	*na*	£329,079
Southwick Park[3]	42	*na*	4	*na*	*na*	-£36,060	*na*	*na*	-£36,060
HMS Collingwood[3]	-30	-50	-10	-59	-21	-£244,455	-£313,277	*na*	-£557,732
HMNB[3]	-231	*na*	-35	0	0	-£856,321	£0	na	-£856,321
Portsmouth-based ships[3]	-568	*na*	-76	*na*	*na*	-£1,203,235	*na*	*na*	-£1,203,235
Grand Total	-1306	-1136	-510	-1321	-738	-£14,298,839	-£9,990,200	-£1,001,390	-£25,290,429

Change in leakage from local economy	-£11,955,052
Change in 1st round spending within the local economy	-£13,335,377
Change in overall induced expenditure	-£5,061,451
Cahnge in overall indirect expenditure	-£460,379
Change in grand total local expenditure	-£18,857,208
All changes within the local economy	
Change in direct FTE jobs in Borough	-2,905
Change in overall multiplier effect FTE jobs in Borough	-227
Change in total FTE jobs in Borough	-3,132

Notes:

1 This includes both Permanent residents and those who only stay during the week

2 This includes the daily spend of commuters who live outside borough

3 These establishments are located outside the borough in neighbouring authority areas

Source: CLREA, 2008

11.6 Concluding Remarks

The analysis contained within this report makes it very clear that Gosport faces a period of significant change over the next ten years, a period that provides both a challenge and an opportunity. The report shows that there are a total of 14 different establishments and bases in and around Gosport that provide employment for a total of 22,500 people, comprising 10,550 civilian employees and 11,900 service personnel and trainees. Of the 14 defence establishments analysed, 9 are located within Gosport. Between them, these 9 establishments account for just over 6,000 jobs (27% of the total,) consisting of 3,750 civilian and contractor jobs and 2,250 service and trainee positions.

Out of the total of 22,500 local employees and service personnel, 5,250 (23.5%) live within the Borough boundaries (3,350 civilians and 1,900 service personnel/trainees). Between them, these local residents earned in the region of £104m in 2007/8, to which can be added a further £3.5m of local supply chain expenditure by locally based defence establishments. Of the total of £107m of local net income, £55m stays within the local economy as first round expenditure generating a further £22.4m worth of multiplier income and supporting an additional 890 indirect and induced jobs. This means that the defence establishments in and around Gosport are responsible for supporting a total of just over 6,900 jobs within the Borough, the majority of which (4,700) are civilian jobs.

Looking at the projected changes in employment and income over the ten years to 2017/18, it is estimated that the 14 local defence establishments will, between them, shed in the region of just under 3,800 direct jobs. It is further estimated that 63% of these jobs (2,440) will be service personnel and trainees and the remainder (1,320) will be civilians and contractors. The report shows that of the estimated 3,800 jobs that will be lost, 2,900 (77%) will be lost from establishments based within the Borough.

As shown in Chapters 7 and 8, the majority of the losses will be at HMS Sultan and Haslar Hospital, which between them are expected to account for the loss of over 2,740 jobs; 1,180 civilian and 1,530 service personnel. The report also highlights the fact that many of these job losses will impact upon people who are Borough residents. Out of the predicted total of 3,760 job losses across Gosport and surrounding districts, it is estimated that in the region of 1,250 (one third) will be local residents.

The cumulative economic implications of these changes are that in the region of £25.3m of local net income (at 2008 prices) is likely to be lost from the local economy annually by 2017/18. It is estimated that this will translate into a loss of some £13.3m of first round direct expenditure and an additional £5.5m as a result of the multiplier effect. This loss of income

means that a further 230 local jobs in the wider economy are also at risk. Thus, under the 'most likely' assumptions detailed in the report, it is estimated that a cumulative total of just over 3,100 jobs (civilian, service and trainee) will be lost within the Borough over the period to 2017/18.

It is clear that these projected changes provide a significant challenge to the local economy. Two of the most important employment generating sites within the Borough are threatened with closure or rundown with consequent impacts upon local employment and income. The challenge is for the Borough and its' partners is to 'enable' the local economy to respond to these changes positively and proactively. Even though the results shown in this report are based upon a number of assumptions, they are fairly firmly fixed, particularly in the case of Haslar Hospital and HMS Sultan. This means that the Borough Council is in the unusual position of knowing a number of years in advance what changes are likely to happen within the local economy and the likely impact of the changes upon local income and employment.

The key to dealing with the forthcoming changes in the local defence establishment must be to attempt to ensure that the local jobs and income lost are replaced by new job opportunities. In order for this to happen it is critical that, as far as possible[39], any released land at HMS Sultan and Haslar is utilised to generate new employment. Both Haslar and HMS Sultan are significant sites, between them accounting for 80 hectares of land which currently support 1,920 jobs and 1,330 training positions and inject in the region of £32m into the local economy. The worst possible scenario for the Borough would be for these two important sites to be left empty and undeveloped due to uncertainties over their future roles. Thus the Borough Council must act to ensure that unwanted and unused land is made available for development that is sensitive to both the needs of the local community and of the local economy.

[39] Any plans will need to be aware of the restrictions that may be in place protecting important and sensitive sites and buildings.

Appendix One

Explanatory Notes to Flowchart on page 13 outlining the Modelling Process used to analyse the Economic Impact of the Defence Sector on Gosport Borough

The flowchart initially sets out the stages in the formulation of the baseline impact of the defence establishments located within, and in close proximity to, Gosport Borough on the local economy. This puts into context, and allows comparisons to be made with, the results from the scenario modelling and input-output analysis which models future expected employment and expenditure levels following any changes which are likely to affect the defence sector over the coming years.

1. The various local defence establishments directly employ both service and civilian personnel. These employees may be permanent Gosport residents, or may live in Gosport, either 'on base' or in private accommodation, only during the week. Some employees may live outside of the Borough, and commute daily to one of the defence establishments located within Gosport.

2. The defence establishments source some of the supplies and services that they require within the local economy and when this occurs, this expenditure accrues directly to local companies. Where a particular industry sector is absent from the Borough economy, products or services have to be imported from outside of the local economy, and the related expenditure "leaks" out of Gosport. Firms within the Borough that supply the defence establishments will inevitably need to restock and may potentially purchase their input materials from other local businesses. In this way, the indirect economic effect of the defence sector ripples through the local economy. This is called the 'multiplier effect;' its size will again depend upon the ability of the local economy to meet and supply the needs of the firms within it.

3. Permanent Gosport residents are assumed to spend, wherever possible, all their disposable income in the local economy. Similarly, weekday Gosport residents are likely to spend a significant proportion of their income within the Borough; for the purposes of this study this is estimated to be approximately 50% of disposable income. Commuters into the Borough are assumed to have a fixed daily expenditure of £6 per head within the local economy.

4. In reality, the amount that residents spend in Gosport will be constrained by the size and structure of the local economy. If a particular sector is either not present or under-represented, consumers will import goods and services from elsewhere, leading to further "leakages" from the Borough economy. Primary spending in the local economy, will lead to so-called induced economic effects, as the money is re-circulated through the economy via the employment provided by local businesses and through the expenditure both of the businesses themselves, and their employees.

5. A simulation model is constructed into which scenarios regarding the future of the various defence establishments, devised on the basis of the available information, can be fed. This model will produce estimates of the likely changes in direct

consumer and supplier spending as a result of any future restructuring of the defence sector within Gosport.

6. The baseline and post-scenario expenditures are fed into the Gosport input output model which simulates the indirect and induced economic effect of the local defence establishments.

7. The results from the input-output model and from the aggregated post scenario tables are combined with the baseline model to evaluate the overall impact (direct, indirect and induced) of the defence sector establishments on the Gosport economy.

Appendix Two

Derivation of baseline output and employment figures

The CLREA local area output estimates are primarily derived from the national input-output (I-O) supply and use tables, the Annual Business Enquiry (ABI), the Annual Population Survey (APS) and Defence Analytical Services Agency (DASA).

The output series (final plus intermediate demand) from the UK (I-O) Supply and Use Tables has been rolled forward from 2004 using a linear regression forecast function based on the data for the preceding 6 years and Northern Ireland GVA is stripped out of the series utilising a uniform scalar to give industry by industry total output for Great Britain (GB).

The ABI employment data, which is only available at the GB level and below, has been converted to full-time equivalent (FTE) jobs for GB and local authority target area. Unfortunately the ABI excludes the self-employed and those in the armed services. The former are estimated to total around 3.5m and the latter over 159,000 in GB. In order to adjust for this shortfall, self-employment by industrial sections (A to P) has been redistributed pro-rata to the 123 sectors making up the I-O industry groupings[40]; armed services personnel have been added to I-O sector 115 (Public administration and defence.) The results provide a more realistic estimate of the total FTE jobs than reliance on ABI data alone. Dividing total output in each I-O industry sector by the number of augmented FTE jobs gives the average output per FTE for each of the 123 I-O industry sectors in any given year. This forms the basis for distributing output to each district based on the estimated employment levels.

Assuming that the diffusion of technology is fairly uniform across GB, this method partially compensates for productivity differentials via the industrial, but it does not easily account for the quality of human capital or the level of physical capital investment. It may be argued that there is a positive relationship between the quality of human capital and the level of investment and the wage level relative to the national average. Thus, if wages are above the national average there must be higher local productivity to support this differential. In the CLREA estimates, the average output per FTE is adjusted by the relative local 20 percentile wage differential as defined by the Annual Survey of Hours and Earnings (ASHE). The 20 percentile wage is chosen because the lower levels of the wage stratum are more sensitive to market conditions and their wage bargaining strength is more sensitive to overall productivity than those at the upper end of the wage scale[41].

The results of this type of estimation have been used to generate Gross Value Added (GVA) and suggest that the methodology is relatively robust. The figures generated for Hampshire (including Portsmouth and Southampton) are within 1% of the ONS total. The CLREA model tends to slightly underestimate in comparison with the regional ONS figures but overestimates compared with some of the other commercial forecasting organizations.

[40] For the GB total the Annual Population Survey (APS) self-employment by industry group structure is used as the basis for the pro rata redistribution to the 123 I-O sectors. For local area estimates the appropriate regional self-employment structure used to distribute local area totals which are then allocated pro-rata to the structure of employees in employment in each local area.
[41] See for instance, Blanchflower D, Bank of England Quarterly Bulletin Q4 2007
http://www.bankofengland.co.uk/publications/quarterlybulletin/qb070410.pdf

Appendix Three

Assumptions underlying spending patterns

In all cases deductions for tax and personal NI account of 25% of gross, thus net potential household expenditure is capped at .75 of gross.

Those who are resident within Gosport
Those who reside within the Borough are assumed to spend all their net income locally. The proportion of that income that remains in the local economy is conditioned by the structure of the local economy if a sector is not present locally (i.e. Construction) then said expenditure will leak out to adjoining local economies (e.g. Portsmouth) or the regional or national economy.

Those who have a home address elsewhere who do not commute on a daily basis.
In the case of all who live outside the Borough, it is assumed that there is a daily charge for food and accommodation. The standard charges are set by the Armed Forces Pay Review Body these vary in the case of food according to whether or not the service person is single or unaccompanied and in the case of accommodation by both the quality and rank[42]. For the purpose of this study the daily charge for food and accommodation is set at £5 per day for Part 2[43] trainees and £6 per day for all others, these charges are levied on the basis of a 46 week year and 7 day week (at other times the individual is deemed to be "on leave"). They are deducted after tax and NI and are thus excluded from the potential net spending by the individual.

Service personnel who are undergoing training are likely to spend a proportion of their income in the local area, although this will be less than those who live in the Borough permanently it is likely to be a significant proportion of local income. There are a number of ways in which this expenditure might be estimated: For instance, a small sample survey to identify the spending patterns of visiting actors and crew at the Chichester Festival Theatre found that they spent about 60% of income locally; the International Trade Union Confederation suggests that migrant workers spend around 87% of their income in the host country. Neither one of these measures appears to be robust enough for this study. Instead the Family Spending Survey 2006 has been used as a basis for estimating expenditure by those who live in Gosport temporarily whilst attending training at one or other of the establishments. By stripping out of the survey those items that relate to provision of food and accommodation as well as household goods, education and housing costs etc. it is found that 53% of expenditure goes on personal consumption, leisure, and transport. Thus it appears reasonable to suggest that those who are in Gosport temporarily whilst under training will spend around 50% of disposable income locally, this is subject to leakages as described above.

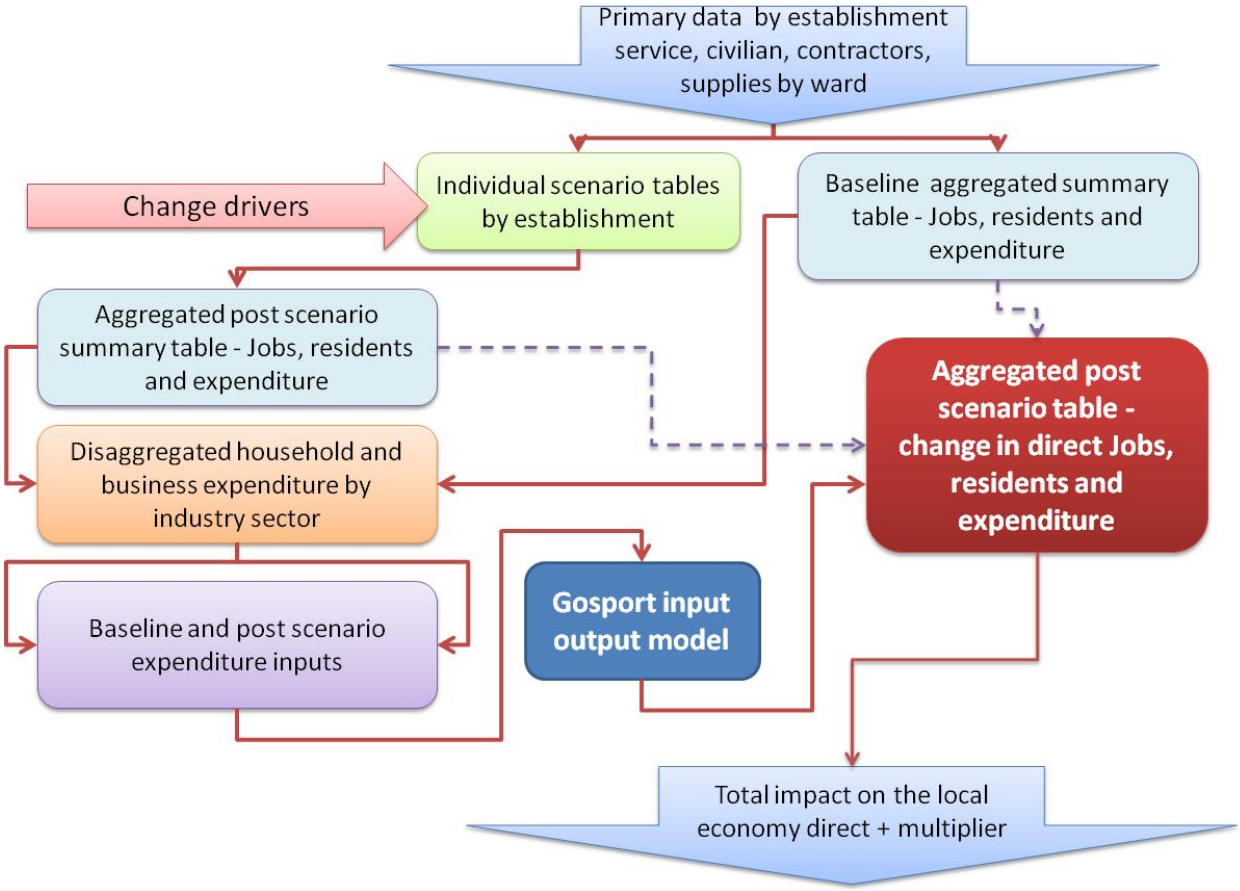
Commuters
Commuters from outside the area are assumed to spend £6 per day based on a 5 day week and a 46 day year, giving an annual spend of £1,380 This is a higher figure than the £5 per

[42] For more details see http://www.army.mod.uk/linkedfiles/servingsoldier/condofserv/mm/afprb__change_to_add_pay/food2007.pdf
[43] Part 2 trainees are those service personnel undergoing their basic trade training after joining the armed services they are usually referred to in official figures as part of the un-trained strength (of the service)- see DASA data..

day used in the 2005 Portsmouth Naval Base study and reflects newly released research for the Greater London Authority. This study, by CACI, estimated a daily spend by commuters to London of £7.40 per day in 2003, adjusted for the consumer price index over the intervening period gives a current estimated figure of just over £8 per day. Thus, the £6 per day for this study is probably reasonable.

Appendix Four

Explanatory Notes to Flowchart showing the scenario modelling process



In order to undertake an economic impact assessment of the defence sector on the Gosport economy, it is first necessary to measure the current, or 'baseline' economic impact, in terms of employment and expenditure, of the various defence establishments located within, and in close proximity, to Gosport Borough (see page 13.) This can then be compared with the expected levels of employment and expenditure which might result from any organisational changes which may take place within the defence sector in the near future, in order to analyse the likely overall economic impact of such restructuring.

1. Primary data on employment and salary income was collected from each of the defence establishments. This data includes figures for service personnel, civilians, contractors and suppliers, and where possible, was supplied at postcode or ward level.

2. A baseline summary table is drawn up, aggregating the primary data, to show the direct effect in terms of the total number of jobs, the number of jobs filled by Gosport residents (a subset of total jobs) and total potential expenditure in the local economy for each defence establishment.

3. 'Change drivers' representing an external shock, for example a reduction by x% in service personnel employment at a particular establishment due to rationalisation, are fed into the model. These are set up for each establishment individually, and then by

each job type and by expenditure for each job type so that any scenario, or combination of scenarios, can be modelled.

4. Post-scenario tables are drawn up for each individual establishment, indicating the new levels of employment and potential direct expenditure in the local economy.

5. In conjunction with the baseline summary table (2), the post-scenario tables for each establishment are aggregated to produce the overall post-scenario summary table for the entire local economy. This shows the direct effect in terms of jobs, expenditure etc. in the same way as the baseline summary table. In addition, the difference between the baseline and post scenario tables is calculated to show the level of change in direct employment and potential expenditure in the local economy as a result of the external shock(s) which occurred as a result of stage 3.

6. In order to determine what proportion of household disposable income is spent in the local economy, the disaggregated household expenditure pattern in the national input-output tables is adjusted by the relevant local Location Quotient (LQ.). This takes into account the particular structure of the Gosport economy compared to the overall national economy, highlighting which sectors are not present in the local economy, thus automatically accounting for “leakages” in local consumption patterns.

7. The expenditure totals from the baseline (2) and post-scenario (4) summary tables are distributed between the various industrial sectors using the household expenditure scalars from stage 6.

8. The adjusted baseline and post scenario expenditures are fed into the Gosport input-output model which then simulates the indirect and induced economic effects of the defence sector establishments.

9. The multiplier results from the input-output model are combined with the aggregated baseline and post scenario tables to estimate the overall impact (direct, indirect and induced) of any change in the activities of the defence sector establishments within the Gosport economy.

Appendix Five

Calibration of Input Output Model

In the economic model two pieces of information are used to calibrate the base year local accounts used in the model.

i. A measure of sectoral specialisation. This is achieved using employment by sector – in the UK this information is available from the Annual Business Enquiry at a detailed spatial level, e.g. ward, district, region, and Travel to Work Area. This information may of course be modified in the light of more detailed local information, e.g. a local survey and aggregated to create new geographic areas.

ii. Information on national expenditures from the National Income and Expenditure Accounts and Input Output Tables. [44] These double entry accounts show the allocation of final demand expenditures to sectors and the associated detailed intermediate requirements allocated to sectors. This is the critical building block for analysing interdependency. The non-survey based assumption would be that the technological basis for production and employment for a sector in the local area would be the same as for the whole national area. In the UK this information is currently available in a well based form from the comprehensive 1984 tables. Again partial survey local information on turnover and some of the major final demands or intermediate flows could be embodied in an estimated table.

The basic model is one where in region r the inputs from the i'th industry per unit of gross output of the j'th sector, a_{ij}^r , are determined by the national coefficient, i.e.

$$\mathbf{a_{ij}^r = k_i\,(a_{ij})}$$

In the Location Quotient approach the determining relationship is assumed to be proportional with k_i thus interpretable as a constant,

$$\mathbf{a_{ij}^r = k_i^r a_{ij} \qquad 0<k_i^r<1}$$

In the model the value of k_i^r is set equal to LQ_i^r if less than one, otherwise set equal to one, thus

$$\mathbf{LQ_i^r = (E_{ir}/E_r).(\_E_{i\,n}/\_E_n)}$$

Then,

[44] See a) CSO, **Input-output tables for the United Kingdom 1984,** HMSO, May 1988
b) CSO, **Input-output tables for the United Kingdom 1985** (updated from the 1984 benchmark tables, available on request), CSO, August 1989
c) CSO, **United Kingdom National Accounts,** 1989 edition, HMSO August 1989

$$k_i^r = LQ_i^r \qquad 0 < LQ_i^r < 1$$

$$k_i^r = 1 \qquad LQ_i^r \_ 1$$

Thus, for the $k_i^r < 1$ cases, ***L-E-M*** allocates the source of intermediate product to external flows in the regional import account.

Defining **A** as the use matrix $\{a_{ij}^r\}$, allows the normal analysis of the basic input output relationship for the region as:

$$q^r = A^r . q^r + f^r$$

where q^r is the vector of regional gross outputs, f^r is the vector of final demands and A^r is the regional use matrix.

This shows the allocation of domestic output to intermediate demand, $A.q^r$, and final demand. Assuming A^r is fixed gives the well known Leontief solution for the regional impact of a given final demand,

$$q^r = (I - A)^{-1} . f^r$$