

## **Socio-Economic Impact Assessment of Portsmouth Naval Base (2012)**

### ***Executive Summary***

This summary contains the main highlights of a study of the socio-economic impact assessment of Portsmouth Naval Base.

### **Purpose and methodology**

The aim of the study is to provide a socio-economic impact assessment of the Portsmouth Naval Base on the Solent Local Enterprise Partnership (LEP) area. A similar analysis was last undertaken in 2007 but during the intervening years, the economic circumstances have changed markedly. Most areas of UK government expenditure have come under pressure to rebalance their spending as part of the austerity programme and the Royal Navy is no exception. It is this substantial rebalancing which merits a fresh examination of the socio-economic significance of the base.

The report presents a baseline measure of the economic impact (both direct and indirect) of the Portsmouth Naval Base on the LEP area in terms of both income and employment generated. Using this as a yardstick, the study then examines three distinct scenarios arising from the contraction of the Senior Service. These are ranked in terms of the potential impact on income and employment. It is, however, important to appreciate that the scenarios are not an attempt to predict policy decisions.

The qualitative aspect of research in this study incorporates: a review of impact analyses, a survey of recent defence policy and an overview of the operations of BAE Systems (BAE). The underpinning assumptions and tools of analysis to be used in the study are also set out. The remainder of the work consists largely of quantitative assessment. This, using data provided by BAE and the Naval Base Commodore's Office, begins by calculating the volume of employment and the value of primary expenditure generated by the activities of the Naval Base. Expenditures retained in the Solent LEP economy can thus be identified.

The outcomes from the primary quantitative analysis are used for the input side of the input-output model. The interaction of the input data with the model's structural form produces output data for the indirect and induced effects of the primary spending. These combine to

give estimates of 'downstream' income, output and employment for each industry sector within the local economy. This underscores the importance of the Base to sectors seemingly divorced from it. The analysis provides a baseline of the economic impact of the Base. In-depth research is used in order to arrive at realistic underpinning assumptions for any change in activity at the Naval Base. The baseline primary quantitative analysis is then adjusted, in line with the assumptions. By comparing the outcomes of the reduction or expansion scenarios with the baseline, the estimated impact of change is calculated.

### The baseline

The combination of primary output and employment at the Naval Base, together with the downstream expenditure and the jobs it supports, provides the baseline against which change can be subsequently measured. Table E1 shows the baseline position of Portsmouth Naval Base (including the subsequent multiplier effects). **Overall it generates output of £1.68bn and supports both directly and indirectly 19,775 FTE jobs. These figures equate to 3.5 per cent of LEP area output and 4.1 per cent of all FTE jobs. The base is important to manufacturing, supporting nearly 7 per cent of all such employment.**

**Table E1: Baseline impact of Portsmouth Naval Base**

Sector	Direct output £million	Direct Employment	D'stream * output £million	D'stream* employment	Total output £million	PNB FTE employment
Primary products	-	-	3.2	50	3.2	50
Manufacturing	259.3	2,675	154.3	1,075	413.6	3,750
Construction	49.4	425	65.2	550	114.6	975
Retail & wholesale	5.2	75	52.7	800	57.8	875
Hotel and catering	5.4	75	30.4	475	35.8	575
Transport telecom and vehicle repairs	68.5	625	85.8	825	154.3	1,450
Financial and business services	109.4	2,525	237.2	2,600	346.6	5,150
Public sector	434.3	5,150	63.5	1,100	497.8	6,250
Cultural and other services	27.3	325	30.7	400	58.1	725
Total	958.7	11,900	723.1	7,875	1,681.8	19,775
Output and employment multipliers					1.75	1.66

Note: All output figures are rounded to the nearest £100,000 and all employment figures are rounded to the nearest 25  
\*D'stream = downstream

The other key statistics are the output and employment multipliers (presented in final row of the table). These show the ratio between direct output and employment and total output and employment. **In the case of Portsmouth Naval Base every £1m directly generated by the Base stimulates another £750,000 of spending in other sectors in the LEP economy. In the case of employment for every 100 FTE jobs at the naval base the resultant downstream spending stimulates another 66 jobs elsewhere in the LEP area.**

## Scenarios

The three “what-ifs” used to estimate change in output and employment from the baseline position are:

Scenario 1: In this situation shipbuilding continues at Portsmouth at or around current levels and aircraft carriers, destroyers and frigates are all base-ported at Portsmouth. The rationale for this is that BAE would concentrate their shipbuilding and support activities at a single site (Portsmouth). As BAE will build and provide through life support for new classes of surface warships there are potential economies of scale by bringing all the work to a single site.

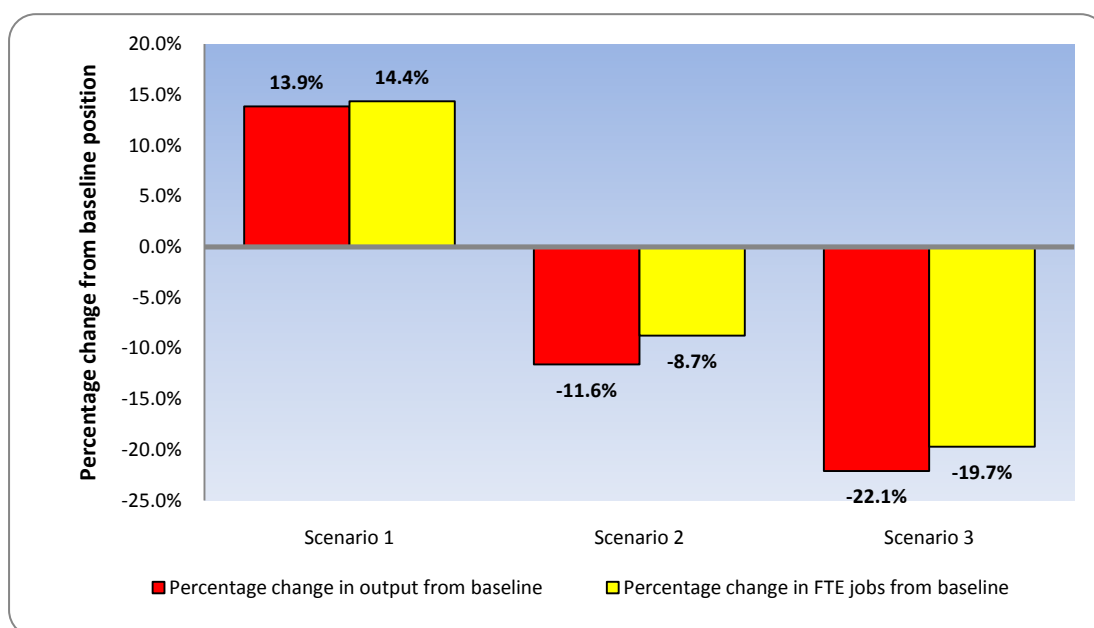
Scenario 2: In this case shipbuilding at Portsmouth ceases, aircraft carriers, destroyers and frigates are base-ported and carry out all deep maintenance at Portsmouth. The rationale is that BAE concentrate their two maritime businesses areas of shipbuilding and Maritime Services at two separate centres of excellence (the Clyde and Portsmouth).

Scenario 3: In this instance the reduction in shipbuilding activity at Portsmouth is not offset by additional vessels moving to Portsmouth or by BAE increasing the level of deep maintenance at the base.

## The outcomes

Figure A1 shows, in percentage terms, the outcomes of all of these three scenarios against the baseline position. It is evident that Scenario 1 represents a net gain in output and employment, whilst both Scenarios 2 and 3 constitute a net reduction.

**Figure A1: Proportional change in output and employment from the baseline position**



The findings of the report clearly highlight the importance of the Portsmouth Naval Base to the LEP local economy. ***The activities within the Base, in conjunction with downstream multiplier effects through the defence supply chain and household expenditures, are estimated to produce more than £1.68bn of economic output. For specific sectors it is particularly important, supporting almost 70 per cent of shipbuilding jobs, 27 per cent in Facilities management and 14 per cent of Public administration and defence jobs.***

The base itself provides employment for an estimated 11,900 people, 60 per cent of whom are civilian employees working for a raft of defence dependant companies and directly for the MoD. Of these it is estimated that almost 77 per cent live within the LEP area. There are also a significant number of jobs associated with other defence companies and local Royal Naval and other MoD establishments. On the basis of the assumptions embedded in the scenarios, the outcomes range from a major expansion of activity at the base to a significant reduction in capacity. ***Hence it is estimated that the employment possibilities cover a spectrum from an increase of 2,825 FTE jobs to a contraction of 3,875.***

It is clear that the brunt of any change would impact upon the urban areas of South Hampshire where most of the current workforce, live. However, because of the multiplier effect the impact would be felt across almost all sectors of the LEP economy. Thus any change that impacts directly on the Base is likely to have consequences throughout the LEP economy, even for sectors that are not commercially connected to it.

This summary and the main report were compiled for the Partnership for Urban South Hampshire (PUSH) and the Solent Local Enterprise Partnership by:

***Professor Shabbar Jaffry, Mr Dave Clark and Dr. Michael Asteris***

*Centre for Economic Analysis and Policy, Department of Economics, University of Portsmouth, Richmond Building, Portland Street, Portsmouth, United Kingdom PO1 3DE  
Telephone 44 (0)23 9284 4125, Email: [shabbar.jaffry@port.ac.uk](mailto:shabbar.jaffry@port.ac.uk)*

©No part of the contents of this document may be copied, photocopied, reproduced, transferred or reproduced to any electronic medium or machine readable form without prior consent, in writing, from the University of Portsmouth, Partnership for Urban South Hampshire and the Solent Local Enterprise Partnership.