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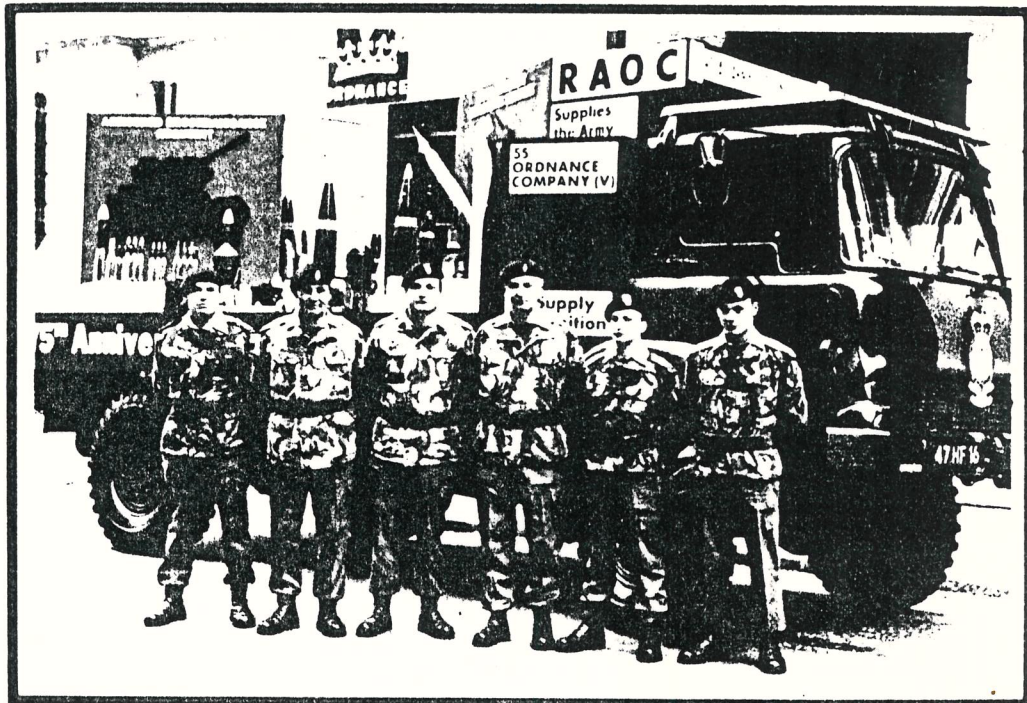
ROF FUTURE
1984

PROFILE

Newspaper of the Royal Ordnance Factories

JANUARY 1984

No.40



This colourful, eye-catching float publicised the products of the Royal Ordnance Factories in the Lord Mayor's Show in November.

It was mounted by ROF Chorley in association with 55 Ordnance Company (V), Territorial Army Unit, pictured are the soldiers who showed off the float in the procession. They are: Major Norman Bonney, Sgt David McDougald, Staff Sgt Martin Rablega, WO2 Ken Morns, L-Cpl Collin Smith, and Pte Darren Marley.

Unfortunately industrial action by BBC Outside Broadcast crews prevented the Show from being televised as usual, but many thousands of spectators, including a substantial proportion of overseas visitors, witnessed the event.

● Another picture, back page.

BILL POINTS WAY TO ROF'S FUTURE

Ordnance Factories and Military Services

A BILL

To make provision for the transfer to a company or companies of certain property, rights and liabilities to which Her Majesty or a Minister of the Crown is entitled or subject and which are attributable to the operations of the Royal Ordnance Factories; to make provision for the transfer of property, rights and liabilities between such companies or from them to the Secretary of State or Her Majesty; to make provision about the finances of such companies and about investment in them and their subsidiaries; to make provision for the extinguishment of certain liabilities concerning the Royal Ordnance Factories; to make provision for the payment out of money provided by Parliament of certain sums required by the Secretary of State in relation to International Military Services Limited; and for connected purposes.

Presented by Mr. Secretary Heseltine supported by Mr. Chancellor of the Exchequer, Mr. Secretary Tebbit, Mr. John Moore, and Mr Geoffrey Pattle

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[Bill 78]

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Holding company and four subsidiaries to be the new structure

THE Ordnance Factories and Military Services Bill introduced by the Government to Parliament on Monday December 19 represents an important first step in changing our status.

The purpose of the Bill is to enable the ROF Trading Fund to be wound up and certain property, rights and liabilities to be transferred to a new company. The company will operate in a fully commercial environment under the Companies Act, although initially it will be wholly owned by the Government. The introduction thereafter of private capital, and when and how this can be achieved best, will be decided later.

ROFs' present and proven manufacturing capability is being enhanced not only by the creation of our own sales organisation but also by our having research and development in the propellant and explosives areas. It is planned that operations of PERME Westcott and PERME Waltham Abbey (South Site) will be transferred to us with effect from April 1 this year.

Proposals for this transfer are now being finalised and a consultative document about the transfer of research and development facilities and staff has been issued. About 900 people will be affected. They will include industrial workers, scientists, support staff, engineers and others. They will be a very important new resource and I know they will make a valuable contribution to our future. I look forward to meeting as many as possible of

them as individuals and welcoming them to the ROFs. We need their skills and expertise and I hope they will soon feel at home with us.

Explanation of the Bill and full text of the Consultative Document on transfer to ROFs of R&D facilities and staff — page 3

Debate of the Bill in Parliament begins with its second reading on Monday January 16. Subject to further Parliamentary debate and approval and the subsequent en-

actment of the Bill, it is planned that the ROFs will be incorporated in October 1984 as a holding company with four subsidiary companies — Small Arms, Ammunition, Weapons and Fighting Vehicles, and Rocket Motors. We have not yet finalised all the details of this structure although it is of course a priority task which is well in hand. What is clear is that it will allow us to build upon the many individual strengths we now have without losing the advantages that we have as a flexible and diverse group.

● TO PAGE 3

INSIDE:

The General Purpose Machine Gun is as familiar a sight in Britain's Armed Forces as was the Bren in its heyday. This month's FOCUS colour feature on pages 4 & 5 looks at production of the weapon at RSAF Enfield where traditional human skills, born of long experience, flourish hand-in-hand with modern computer technology.

Smoke system chosen

The Ministry of Defence has accepted the Royal Ordnance Factories' submission for full development of a new Visual and Infra Red Screening Smoke.

After competitive tendering, including exhaustive comparative trials against products offered by a number of firms, the ROFs solution has been chosen as the most suitable system for turreted armoured fighting vehicles.

S. Howard to see Bill

PROFILE

JANUARY 1984

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Proposals announced for PERME transfer

A consultative document detailing proposals for the transfer of R&D facilities and staff of PERME to the ROF organisation has been issued and the following is the complete text of the document.

Following the announcement by the Secretary of State in 1982 of the Government's decision that the Royal Ordnance Factories should operate in a more commercial environment under the Companies Acts, the Consultative Document issued in October 1982 indicated that relevant facilities and staff at certain R&D establishments would be transferred to the ROF organisation before the change to Companies Acts status and that separate proposals would be made for these transfers. In May 1983 the Trade Union Sides were informed that as part of these proposals it was intended to examine the possibility of transferring to the ROF organisation the rocket motor activities of the Propellants, Explosives and Rocket Motor Establishment (PERME) and the Rocket Motor Executive (RME).

It is not intended to transfer blocks of staff or facilities from the Royal Ordnance Research and Development Establishment (RARDE) or the Military Vehicles and Engineering Establishment (MVEE); however, opportunities for individual transfers would continue as at present. Instead, the ROFs will subcontract R&D work in their product areas to the Controller R&D Establishments, Research and Nuclear (CERN) Establishments as necessary; in the longer term the ROFs will develop their own capability. The intention is to transfer the responsibility for this work in the ROF product areas to the ROFs who will be funded directly. This document therefore outlines the proposals for the transfer to the ROFs of staff and facilities at PERME and the RME.

Transfer Proposals: To enable the ROFs to assume wider responsibility for rocket motor activities and for applied research and development in the propellants and explosives areas, the ROFs will take over the Westcott site and the Waltham Abbey South Site on a permanent basis. (Waltham Abbey, North Site being retained by CERN.)

Broadly the proposals are — **PERME Westcott**, including staff from the Rocket Motor Executive which will be disbanded, to be transferred to the ROFs. About 530 staff to

be transferred to the ROFs with the balance of about 20 remaining with CERN (and in due course moving to a CERN site).

PERME Waltham Abbey. The South Site together with about 375 staff to be transferred to the ROFs. The North Site with about 170 staff to be retained by CERN.

The process of identifying the posts it is proposed to transfer is very largely complete. Because of the skills and experience required and to maintain continuity with ongoing projects, it will be necessary to nominate staff for transfer. Members of the staff who would be transferred under these proposals will be notified individually and the Trade Union Sides informed.

Future management structure: An appropriate line management structure will be established and further details of the new organisation and its senior management will be notified to the Trade Union Sides as soon as possible.

Timing: It is intended that the transfer of facilities and staff be completed by 1 April 1984.

Future of the Land Systems Research Establishments: After these transfers, CERN would retain the essential minimum capability for those tasks which must be performed within Government within the propellants, explosives and rocket motors areas including the supervision of extramural research contracts and the provision of advice on safety. It is intended that the staffs of RARDE, MVEE and those remaining in PERME will be combined into a land systems research establishment under a single Director, with Headquarters at Fort Halstead and with staff and facilities at Chobham and Waltham Abbey (North). The future organisation and staffing of the establishment will be the subject of separate consultation with the Trade Union Sides.

Personnel implications for transferred staff: Proposals on some of the personnel issues for staff who are transferred are at Annex C. This should be read in conjunction with paragraphs 9-25 of the Consultative Document issued in October 1982, the MOD response to comments made by the MOD CCSU in May 1983, and with the Consultative Document on Superannuation and Related arrangements for the ROFs which was issued in November 1983.

Conclusions: The acquisition of the Waltham Abbey South Site and Westcott will provide the ROFs with sites and facilities on which to expand their capabilities and the transfer of experienced staff will strengthen their capability in important product areas. In particular, considerable management improvements can be expected to arise from the placing of responsibility for design, development and production of rocket motors within the same organisation. For those transferring the opportunities for creative work will be no less challenging than in their present employment.

The arrangements described in this document are intended to achieve a transfer with the minimum of disruption to current projects and to provide as smooth a transition as possible for the staff who will be affected.

POSITION OF ANCILLARY GROUPS

CISCO: Restaurant and catering facilities at the PERME sites are currently provided by CISCO. The future catering arrangements for the ROF personnel at these sites will be a question for discussion between the ROF management and CISCO.

Ministry of Defence Police: MOD police are currently stationed at the PERME sites. After incorporation it will not be appropriate for MOD police to continue to provide the security arrangements for those sites under ROF administration and the management of the new company is considering how it wishes the required services to be provided. The effect on the future employment of MOD police currently stationed at these sites will be the subject of consultation with the Defence Police Federation.

Medical staff: The Director of Civilian Medical Services (PE) provides a full occupational health service in the R&D establishments at present. The ROF management is considering how best to provide this service after incorporation and there will be discussions with the Trade Union Sides about this and the implications for existing medical and nursing staff.

Personnel implications for transferred R&D staff: It is proposed that all staff in the PERME and RME establishments who are employed on work which is transferred to the ROFs will be transferred in their existing grades. Transfer into the ROF organisation will be regarded as a normal posting within the MOD and staff transferred will continue to be

MOD Civil Servants until the ROFs are incorporated under the Companies Acts following the necessary legislation.

While it is intended that all staff serving with the ROFs at incorporation should have their employment automatically transferred to the new Company structure, it is proposed that some time before Vesting Day all staff affected will be able to register if they do not wish to transfer and the MOD will use its best endeavours to place them accordingly. It must be emphasised however that the ability to re-employ staff is subject to the requirements of the Company and the availability of vacancies in the MOD and the rest of the Civil Service. Much will depend on the categories of staff involved and it would be unrealistic to give any general assurance that individual wishes can be met.

In the period up to Vesting Day staff transferred to the ROFs from PERME and RME will, in common with all ROF staff, continue to be eligible for MOD promotion reviews and postings under the normal rules.

The terms and conditions which are established for all staff serving with the ROFs on incorporation will apply equally to staff who are transferred into the ROFs.

Personnel Management: It is proposed that the personnel management responsibility for transferred staff who are managed under local delegated authority should be transferred direct to the ROFs. The MOD CM divisions will retain the responsibility for those who are managed centrally until the progressive transfer of further personnel management responsibilities from the MOD to the ROF organisation as a whole.

Whitley arrangements: It is proposed that PERME and RME staff who are transferred into the ROF organisation will, like existing ROF staff, from the date of transfer until Vesting Day come under the aegis of the ROF Whitley Committee (for Non-Industrials) or the Central Production Committee (for Industrials) for matters that affect the organisation as a whole. However, those matters relating to the terms and conditions of staff on incorporation will be appropriate for discussion within the MOD Whitley Council for non-industrials and the MOD JIWC for industrials.

ROF management will wish to discuss with the Trade Unions the establishment of suitable joint consultative arrangements at the ROF sites at Westcott and Waltham Abbey. ☺

Pointing way to the future . . .

● FROM PAGE 1

The question of the terms of transfer has naturally been foremost in many minds and I am conscious of how important these matters are. We are making progress.

As you have seen in the consultative document which was reproduced in the last issue of PROFILE, you will have a choice to make about which pension arrangement best suits you in the light of your personal circumstances, previous service, age and so on. At this stage it all may seem a bit complicated but there will be more explanatory material to come and trained staff who will be available to help. I hope that by all these means you will end up choosing a pension plan which suits you — that is certainly our aim. Meanwhile the first task is to work out the remaining details in

consultation with the trade unions and our pensions experts.

The Transfer of Undertakings (Protection of Employment) Regulations 1981 protect the remaining conditions of service apart from certain minor matters and that must be a step forward in clarifying the personal issues.

Job security is one area which is of major concern to us all, and job prospects will be related to the order books whether we are in the public or private sector. A key factor therefore in our future success will be that we make the most of our new status and commercial environment to expand the market for our products, particularly overseas.

The uncertainties under which we have all laboured for so long are beginning to clear and we can proceed together during 1984 in laying the foundations of our new company and making it a success.

EXPLANATION OF THE BILL

TO THOSE of us who are not normally accustomed to Parliamentary Bills and the language in which they are constructed they are somewhat complex documents which do not make easy reading. However, the Ordnance Factories and Military Services Bill contains an invaluable explanatory introduction which summarises the key points of the document.

Having established that the Bill's purpose is to enable the Royal Ordnance Factories to be constituted as "a company or companies under the Companies Acts" the summary goes on to explain that it gives the Secretary of State for Defence powers to transfer to one or more companies wholly owned by the Crown any property, rights and liabilities used in connection with ROF's operations.

Such transfers are to be made by means of one or more schemes defining the property etc. to be transferred. Securities in the form of shares or debentures may be

issued in consideration of any transfer.

The Bill also enables the RAF Trading Fund to be wound up so that a new financial structure can be created for the company. Provision is made for the payment of compensation to any third party who is affected adversely by the transfer.

Clause 1 of the Bill gives statutory force to the schemes which may be made by the Secretary of State for transferring property, rights and liabilities, but no scheme may be made without consulting any transferor or transferee company nor without Treasury consent. Such schemes may be made only in respect of wholly owned companies.

This clause also makes provision for establishment of reserve funds thus allowing the most suitable capital structure to be made for the company (or companies).

Transfers may be made from the Secretary of State to any

company, between two or more companies, or from companies to the Secretary of State. The property etc which may be transferred from the Crown are defined in the Bill as those which are (or have been certified as being) attributable to the operations of the ROAs. Subsequent transfers of property between companies, or back to the Crown, may include property outside the extent of this clause.

Any transfer of property etc will be binding on third parties, and transferees will be bound to honour all agreements and transactions made prior to the transfer.

Clause 5 enables the Treasury, or the Secretary of State (with Treasury consent) to acquire securities, or rights to subscribe for securities, in companies or their subsidiaries at any time during and after the period of sole ownership by the Crown. Disposal of such securities or rights similarly requires Treasury consent. Proceeds from any disposal,

as well as any dividends or other receipts, will be paid into the Consolidated Fund.

In the next clause power is given to the Secretary of State to appoint nominees to receive or hold the securities issued under Clause 1 or to acquire or hold securities or rights under Clause 5. These nominees may then deal in the securities etc under direction of the Secretary of State and subject to Treasury approval.

Once the company has ceased to be wholly owned by the Crown the Secretary of State will be required to set an investment limit for Government shareholding. This limit will be expressed as a proportion of the voting rights held and while it will be possible to reduce the limit by a further order, it cannot be increased.

Clause 8 fulfils the Secretary of State's legal obligations to existing creditors. It requires him to discharge any outstanding liabilities transferred to a com-

pany (or companies) which have been incurred before the transfer date should the new company (or companies) be wound up (except on amalgamation or reconstruction).

According to Clause 9 trustees will be able to invest in the company (or companies) despite the Trustee Investments Act of 1961 which requires a company to have paid a dividend in each of the five years preceding the investment. As the company will probably have not been trading commercially for five years before privatisation this clause enables the company to be deemed to have paid dividends for the required period.

If there is any outstanding debt to the National Loans Fund from the ROF trading fund then under the terms of Clause 10 it can be extinguished.

Obviously ROF's transition to Companies Act status will involve changes in its financial relationship with the Ministry of Defence but these are unlikely to have a major effect on central government expenditure. The Bill provides for payments to be made out of money provided by Parliament to meet various liabilities.

The summary includes a paragraph on pensions and explains that when ROF employees transfer from the Principal Civil Service Pension Scheme to the new company schemes, payments will be made to the new pension funds sufficient to meet existing pension liabilities in respect of their periods of employment as civil servants. These transfer values could amount to £250 million.

The final paragraph in the explanatory section points out that while the 18,500 or so ROF employees will cease to be civil servants they will still count as public sector employees and consequently the Bill will have minimal immediate effect on public sector manpower. When private capital has been introduced, however, the ROF workforce will cease to be classified as employed in the public sector.

● For those who wish to examine the Ordnance Factories and Military Services Bill itself, it is published by Her Majesty's Stationery Office at £2.70. It can be ordered direct from HMSO or through any good bookshop.