# EXPLANATORY MEMORANDUM TO

# THE DEFENCE AVIATION REPAIR AGENCY TRADING FUND (AMENDMENT) ORDER 2008

## 2008 No 628

1. This explanatory memorandum has been prepared by the Ministry of Defence and is laid before the House of Commons by Command of Her Majesty. This memorandum contains information for the Select Committee on Statutory Instruments.

## 2. Description

The Order amends the Defence Aviation Repair Agency Trading Fund Order 2001, to reflect the transfer of the Electronics and Large Aircraft business units, which will merge with ABRO to form the Defence Support Group on 1 April 2008.

## 3. Matters of special interest to the Select Committee on Statutory Instruments

None.

## 4. Legislative Background

4.1 The Defence Aviation Repair Agency Trading Fund Order 2001 (SI 2001/1165) ("the 2001 Order"), made under the Government Trading Funds Act 1973, established the Defence Aviation Repair Agency (DARA) Trading Fund for the operations of DARA described in Schedule 1 to the 2001 Order.

4.2 The Order amends the 2001 Order to provide for the transfer of the Electronics and Large Aircraft operations of DARA on 1 April 2008. These operations will be financed by means of a new trading fund, the Defence Support Group (DSG), which will be established under the Defence Support Group Trading Fund Order 2008 ("the 2008 Order"), which comes into force on 1 April 2008.

4.3 The 2008 Order will revoke the ABRO Trading Fund Order 2002 (SI 2002/719), which established the ABRO Trading Fund. The DSG is a merger of all the operations of ABRO and the Electronics and Large Aircraft operations of DARA. Accordingly, the 2008 Order provides for the assets and liabilities attributable to all the operations of ABRO and those operations of DARA to be appropriated to the DSG Trading Fund. The remaining assets and liabilities of the DARA Trading Fund, namely those attributable to the Rotary Wing and Components business units, will continue to be financed by means of the DARA Trading Fund, until sale has been completed with Vector Aerospace.

## 5. Extent

This instrument applies to all of the United Kingdom.

## 6. European Convention on Human Rights

As the instrument is subject to the negative resolution procedure and does not amend primary legislation no statement is required.

## 7. Policy Background

7.1 DARA is undergoing a major transformation programme. Its Fast Jet and Engines operations closed in March 2007; the Rotary Wing and Components operations will be sold to Vector Aerospace; and the Electronics and Large Aircraft operations will be transferred to the new Defence Support Group.

7.2 The Minister of State for the Armed Forces announced on 22 May 07, subject to trade union consultation, and Parliamentary consent, the formation of the new DSG by merging all of the ABRO operations and the Electronics and Large Aircraft operations of DARA.

7.3 Consultation began with the Department's trade unions on 24 May 07 and Minister of State for the Armed Forces confirmed on 25 July 07 that, following the successful conclusion of trade-union consultation, the Ministry of Defence will proceed with implementation of this merger.

7.4 Accordingly, the ABRO trading fund will be dissolved and the new DSG will begin formal trading on 1 April 2008, subject to securing the necessary parliamentary approval. Minister for Equipment and Support announced on 5 February 2008 that the remaining operations of the DARA Trading Fund, namely the Rotary Wing and Components business units, will be sold to Vector Aerospace. However, for the time being, these operations will continue to be financed by means of the DARA Trading Fund, until sale has been completed. When sale is completed the DARA Trading Fund will be dissolved.

## 8. Impact

8.1 A Regulatory Impact Assessment has not been prepared for this instrument as it has no impact on business, charities or voluntary bodies.

8.2 The impact on the public sector is expected to be nil.

## 9. Contact

**Mrs S J McIntosh** at the Ministry of Defence (telephone: 020 7218 0564 or email: Sue.McIntosh641@mod.uk) can answer any queries regarding the instrument.