EXPLANATORY MEMORANDUM TO

(DRAFT) THE DEFENCE SUPPORT GROUP TRADING FUND ORDER 2008 SI 2008/

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 enables the creation of a new Defence Support Group ("DSG") on 1 April 2008 providing engineering and logistic support to the Ministry of Defence. The DSG is a merger of all the operations of ABRO and the Electronics and Large Aircraft business units of the Defence Aviation Repair Agency ("DARA").

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 ("the 1973 Act"), established the DARA Trading Fund for the operations of DARA described in Schedule 1 to the 2001 Order.

4.2 The ABRO Trading Fund Order 2002 (SI 2002/719) ("the 2002 Order"), also made under the 1973 Act, established the ABRO Trading Fund for the operations of ABRO described in Schedule 1 to the 2002 Order.

4.3 The Secretary of State for Defence is exercising the powers under sections 1, 2(1) and (7), 2AA(1), 2A(1), 2C(1) and 6(1) of the 1973 Act to establish the new DSG Trading Fund for the operations of DSG described in Schedule 1 to the Order. The DSG is a merger of all the operations of ABRO and certain operations of DARA (the Electronics and Large Aircraft operations). All remaining business units of DARA (the Rotary Wing and Components operations) are currently being considered for sale and the assets and liabilities attributable to those businesses will not be appropriated to the DSG Trading Fund.

4.4 Accordingly, as part of the process of creating the new DSG, the Order revokes the 2002 Order. The 2001 Order will, in due course, be revoked by a separate negative resolution Order.

5. **Extent**

This instrument applies to all of the United Kingdom.

6. **European Convention on Human Rights**

The Secretary of State for Defence has made the following statement regarding Human Rights:

In my view the provisions of the Draft The Defence Support Group Trading Fund Order 2008 are compatible with the Convention rights.

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7. Policy Background

7.1 The Defence Aviation Repair Agency is undergoing a major transformation programme. Its Fast Jet and Engines operations closed in March 2007; the Rotary Wing and Components operations are currently being considered for sale; and the Electronics and Large Aircraft operations will be transferred to the new Defence Support Group.

7.2 ABRO was established as a Trading Fund in 2002 to maintain and upgrade the Armed Forces in-service fleet of Land based equipments. The primary strategic issues in relation to ABRO were reviewed and it was concluded that ABRO provides a unique and operationally critical capacity and capability particularly for in-service armoured fighting vehicles. ABRO is now focused on core business and work is in hand to divest extant non-defence activities.

7.3 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.

7.4 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.

7.5 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.

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.