

Environment and Sustainability Committee

Inquiry into Water Policy in Wales

BAE Systems - Global Combat Systems Munitions, Usk

Interview: 28th March, 2013

Present:

Rhys Morgan, NAFW Outreach Officer (RM)

Celyn Menai Cooper, NAFW Outreach Officer (CC)

Participants:

Engineering Services and Utilities Department

Lee A. Wyatt, Engineering Facilities Manager (LW)

Mark Bull, Works Mechanical Manager (MB)

Outline of Organisation

LW: BAE Systems is a manufacturing site for various medium to large calibre ammunitions. The Engineering Services and Utilities Department deals with all facilities on the site. This includes water, steam, electric, gas and all maintenance and engineering infrastructure. The site has its own sewerage system.

General Water Usage

LW: Having pointed a number of leaks in the piping system, with the support of Aqua Logic (which is part of Dwr Cymru) we were able to go from a 20 cubic meter usage to 1 cubic meter. Dwr Cymru would expect an organisation and site of this size to be have a static loss (through leakage) of around 4-5 cubic meters per hour, so we are doing very well with this mind.

Questions:

Are you aware of the proposed law change to allow non-household customers in England to switch water and sewage providers?

LW/MB: We were not aware until this interview had been arranged.

Do you believe in principle that organisations and businesses in the public and private sector should be allowed to switch supplier?

LW: A fair, competitive advantage should be allowed. **We as a company don't** necessarily have any competitors in the UK, but our margins would be affected by any change.

Do you think there would be any benefits to switching suppliers? What would they be?

LW/MB (in agreement):

- Create a competitive market;
- Drive of costs.

Do you think there could be any negative consequences of switching suppliers?

LW: Disadvantages will be dependent on suppliers and their monopolies: how independent new companies are.

In principle would you consider switching water supplier?

MB: If the same level of service was provided, we would be happy switching water supplies.

Supplementary Question: Would you consider switching your gas supplier for example?

MB: No. We have a central purchasing order, which sets a 5 year forecast and best prices based on that.

Supplementary Question: Would you be willing to do the same for water?

LW: If it maximised buying power and followed the same format, then yes.

MB: **We're currently paying £1.30 per cubic metre.**

LW: Financial gain would be the main incentive for us to switch. Reluctance would emanate from the reputation of new suppliers, as if they shut our water off, we would have to shut this site down. A 10% saving or more would definitely make us think about changing, but it would be high risk when considering the new suppliers reliability. We have 650 employees, 250 of which are manufacturing staff.

Do you believe that allowing organisations to switch water suppliers will improve the deal that they receive?

MB: Organisations should have an improved deal, if new suppliers are established correctly.

What impact will allowing your organisation/business to switch water suppliers have?

LW: This will depend on why we would switch in the first place. Whether it is for financial gain or job security, or modernise our facilities. While we do not have any competitors in the UK, there would still be a risk of the site shutting down and moving manufacturing to England if the financial benefit in savings is so much more significant.

Supplementary Question: What kind of effect would this have? If these changes go ahead in England and not in Wales, what impact do you think this could have?

LW: BAE Systems munitions certainly have a unique manufacturing monopoly. If others are benefiting financially in England and not in Wales, the Welsh Government would be looked at again, as failing to be at the forefront of change.

MB: I agree. The effect changes would have on us centrally would be to move the site to England. The site is so vast (over 1000 acres) it would be easy to shift to ensure cheaper manufacturing. Of course, this is very doubtful but the risk is still there regardless.

Are there any measures that would encourage your business/organisation to conserve water usage?

MB: BAE Systems is very much involved in sustainability. We report to the Environment Agency, with our BSA Audit, which is the climate change rebate scheme target which we meet every year.

Key Message

LW: This policy change could definitely lower out costs, however, this can only be done through regulated suppliers and through regulated competition.