

DEFENCE SUPPLIERS FORUM
SECOND MEETING 2014

RECORD OF MEETING

1415hrs-1615hrs, Thursday 23 October 2014
5th Floor, Pepys Suite, MOD Main Building

Government

Rt Hon Michael Fallon MP	Secretary of State for Defence (Chairman)
Philip Dunne MP	Minister (DEST)
Bernard Gray	Chief of Defence Materiel
Susanna Mason	Director-General Commercial, DE&S
Paul Hamilton	Head of Industrial Policy
Simon Cholerton	Operations Director, UKTI Defence and Security Organisation
Huw Walters	Head of Aerospace, Marine, Defence, BIS
Alyson Rees	Industrial Policy (Secretary)

Industry

Ian King	CE, BAE Systems PLC
Peter Rogers	CEO, Babcock International Group PLC
Alberto de Benedictis	CE, Finmeccanica UK
Paul Kahn	President, Airbus Group UK
Stephen Ball	CE, Lockheed Martin UK
Victor Chavez	CE, Thales UK
Rupert Soames	CE, Serco UK & Europe
Leo Quinn	CEO, QinetiQ
Simon Fovargue	Vice President and General Manager, Hewlett-Packard Defence UK
Steve Rowbotham	COO, General Dynamics UK
David Pitchforth	Vice President, Boeing Defence UK
Steve Wadey	MD UK, MBDA and DGP Co-Chairman
Cate Wilkinson	Director of Customer and Partner Strategy, Rolls-Royce
Paul Crawley	DGP Project Manager, MBDA UK [Agenda Item 4]

Representatives from the Defence Small and Medium-sized Enterprise Forum

Gordon Morrison	Director Government, techUK
Graham Booth	CEO, 2ic

1. DEFENCE UPDATE

Reserves – Driving forward plans for the Reserves remains one of the highest priorities for MOD and is vital for the future shape of the Armed Forces. The target gets more challenging at the end of this year and in 2015. The Head of Future Reserves and HR directors from industry had agreed steps to tackle the so-called “middle management challenge” in realising industry’s support for messages on Reserves and in sharing best practice.

Action 1.1 Head of Future Reserves to continue to engage with industry on what further steps might be taken to smooth the way for employees to join the Reserves

Strategic Defence and Security Review 2015 – MOD would need to lay the necessary groundwork for the SDSR to ensure we were prepared for the formal process when it began after the election. However, there was an important and busy agenda on which to focus between now and the spring, and the prospect of SDSR 2015 should not distract us from delivering what we could beforehand.

Action 1.2 SDSR 2015 to be an agenda item for the first DSF meeting in 2015.

Exports – The Defence Secretary reaffirmed his strong support for responsible defence exports and asked for suggestions on what more he could do to promote British defence equipment abroad. He called on industry to work with the MOD on a range of high quality export proposals.

Small and Medium Enterprises - the Defence Secretary emphasised the importance of working with SMEs. There is a lot of good innovation by SMEs in the supply chain and more needed to be done to capture and report this work.

Action 1.3 A progress update on SBRI to also be an agenda item for the next DSF meeting.

2. MATERIEL STRATEGY UPDATE

Chief of Defence Materiel reported that DE&S is established as a Bespoke Trading Entity and has secured a range of freedoms to manage its business along more commercial lines. The contract for the Managed Service Provider (MSP) for Human Resources would be awarded in the next few weeks, along with the contract for the MSP for Programme and Project Management. The contract for the MSP for Management Information Systems will follow later.

3. DEFENCE GROWTH PARTNERSHIP (DGP)

Progress is being made on all three key areas of the plan: establishing the new DGP working architecture; strengthening the value chain; and developing collaborative projects. The Defence Solutions Centre at Cody Business Park in Farnborough should reach initial operating capability by February 2015 and the recruitment for a Chief Executive is underway.

A dual-use bid is being developed under the Advanced Manufacturing Supply Chain Initiative as part of DGP work to strengthen the value chain. The BIS-led Defence Trailblazer Apprenticeship scheme has strong industry and MOD support and should see 100 new apprenticeships commencing in September 2015.

SMEs are looking to identify how the DGP would open opportunities for them in the value chain. In discussion, the NITWORKS “out-briefings” and a role for the Centre for Defence Enterprise were preferred as potential mechanisms for broadcasting opportunities to the wider value chain. The key difference which the value chain would see in the DSC was its focus on export opportunities.

Notwithstanding the work to stand up the Centre for Maritime Intelligent Systems in Portsdown West, and the various studies underway in Intelligent Systems and Air Capabilities, there is a risk that these might produce insufficient fuel for the DGP machinery now being established.

Action 3.1 DGP is invited to investigate opportunities for further appropriate export-focused projects by March 2015.

4. EXPORTS - STRENGTHENING UKTI DSO

Strengthening DSO is a key strand of DGP. This is intended to enable Government and industry to prioritise overseas markets and agree market analysis over a longer term, so guiding development of new technology and investment roadmaps. DSO is initially recruiting three industry secondees into its business strategy team to cover:

- Long-term strategic market analysis;
- Overseas markets prioritisation; and
- Government-to-Government arrangements.

Allan Cook, as Chairman of the DSO Industry Liaison Board, will play an important role in reviewing and agreeing job descriptions for secondees.

Action 4.1 Industry is invited to put forward high calibre candidates to be secondees.

5. SINGLE SOURCE PRICING REFORMS

Significant progress had been made on bringing the new single source procurement framework (the so-called "Orange Book") into force. The Department will shortly be laying a Statutory Instrument before Parliament which sets out the regulations which support Part 2 of the Defence Reform Act. The new framework will come into force as soon as Parliamentary approval has been obtained. This will take place in two stages:

- Stage 1 – From December 2014, applies to qualifying defence contracts with a value of £500m or more (and related qualifying subcontracts with a value of £25m or more) signed after the Framework comes into force.
- Stage 2 – applies to all qualifying defence contracts with a value of £5m or more signed on or after 1 Apr 2015.

Jeremy Newman was appointed as the Chair of the Single Source Regulations Office (SSRO) in July and the Non Executive Directors were appointed in early October. The SSRO is now recruiting its senior staff members and establishing itself as an arms-length body.

6. AOB

Banking Services - Min(DEST) met the British Bankers Association to raise concerns about a number of instances in which banks had withdrawn banking services from defence-related SMEs, often with little notice. The Minister will hold a round-table with the five major UK high-street banks to emphasise the importance attached to the availability of banking services for defence companies and to the proper application of the banks' own code of conduct on the withdrawal of banking services.

Defence Cyber Protection Partnership (DCPP) – Work is underway to develop a framework that clearly identifies the cyber standards expected of industry, from basic security in low risk contracts through to more detailed measures required for projects that involve sensitive information. An agenda item covering the DCPP at the next DSF would be timely.

7. DATE OF NEXT MEETING

The next main DSF will take place on 5 March 2015. *Secretary's note:* This will include updates on SDSR 15, DCPP and SBRI.
