

**DEFENCE SUPPLIERS FORUM**  
**THIRD MEETING 2015**

**0900hrs-1100hrs, Thursday 15 October 2015**  
**5th Floor, Pepys Suite, MOD Main Building**

**Government**

Rt Hon Michael Fallon MP	Secretary of State for Defence (Chair)
Philip Dunne MP	Minister (Defence Procurement)
Rt Hon Anna Soubry	Minister for Small Business, Industry and Enterprise
Sir Bernard Gray	Chief of Defence Materiel
Susanna Mason	DG Commercial
Air Marshal Sir Stephen Hillier	DCDS(Mil Cap)
Mike Stone	Chief Digital and Information Officer
Will Jessett	Director Strategic Planning
Simon Cholerton	Operations Director, UKTI DSO
Paul Hamilton	Head of Industrial Policy
Adrian Sharman	Intellectual Property Rights Head
Daniel Harrison	Head of Defence and Maritime Team, BIS

**Industry**

Ian King	CE, BAE Systems PLC
John Howie	MD Marine, Babcock International Group PLC
Paul Kahn	CE, Airbus Group UK
Sir Brian Burr ridge	Senior Vice President Corporate UK, Finmeccanica UK
Victor Chavez	CE, Thales UK
Stephen Ball	CE, Lockheed Martin UK
Steve Wadey	CEO, QinetiQ
Steve Rowbotham	COO, GDUK
Roger Hood	Strategic Intelligence Director, Hewlett-Packard Defence
Kevin Craven	CE, UK Central Government, SERCO
Dave Armstrong	CE, MBDA
Dave Gordon	Director Customer Business UK, Rolls-Royce
David Pitchforth	Vice President, Boeing Defence UK
Paul Crawley	MBDA & DGP Project Manager

**Representative from the SME Forum**

Mike Maiden	Chairman of NDI
-------------	-----------------

**1. DEFENCE UPDATE**

The Strategic Defence and Security Review (SDSR) is moving towards a conclusion. The review has three areas of particular interest: efficiency, innovation and prosperity. On efficiency, the July 2% of GDP budget settlement means a growing defence budget, and the freedom to recycle efficiency gains into front line capability. Innovation remains critical to maintaining cutting-edge Armed Forces capability, and that requires maximizing the talents and expertise of SMEs. We have set a target for 25% of defence procurement to be accessible to SMEs, a Supply Chain Champion has been appointed, and we need industry to pay close attention to managing its supply chain so that we continue to meet our future needs. On prosperity, we are increasing support to exports, there is increased emphasis on modularity and exportability in new requirements, and we continue to support the Defence Growth Partnership in its objective of securing increased export-led growth.

**2. SDSR UPDATE**

The NSS and SDSR are expected to conclude in around 6 weeks. The July budget has provided a firm baseline to undertake the review. The various industry inputs have also been welcome, and have helped with the broader narrative around how defence contributes to prosperity. Work continues to finalise the package of investment choices. These are all set against our list of

priorities and within the headroom that is assumed from finding further efficiency and productivity improvements. The review is intended to set an overall direction of travel, and allow flexibility to cover future uncertainties. MOD, along with other parts of Government, is also looking to access some of the £1.5Bn Joint Security Fund to allow further investment beyond the core programme.

### **3. DGP UPDATE**

The “Customer Ready” was launched successfully at DSEI. During DSEI the winners of the first phase of the £10m DGP Innovation Challenge and the launch of a £10.3M Dual-Use Technology Exploitation Innovation cluster were announced. There was good engagement with international partners at DSEI. The UK DSC is undertaking a road mapping exercise. The DGP will now work towards establishing strategic international partnerships by next summer.

### **4. EXPORTS**

This year’s DSEI was successful with 10 UK Ministers attending and DSO hosting 113 official delegations from 53 countries. DSO was very grateful to MOD for providing surge personnel during and in the run up to the exhibition. UKTI DSO is developing a Cross-Whitehall policy approach with a variety of G2G support models depending on project and customer requirements. The Ministerial Working Group on Defence and Security Exports will consider recommendations from the DSO about how work in this area can be bolstered.

### **5. INTELLECTUAL PROPERTY (IP) POLICY REVIEW**

Following a Departmental review into Intellectual Property the MOD intends to secure broader IP rights on a similar model to that used by US DOD. The review concluded that the ownership of IP should retain with industry, but recommended a number of improvements including simplification of DefCons and better record keeping. **Action 1: DIPR Head to meet with the Joint Industry Working Group to discuss the proposed changes.**

### **6. SINGLE SOURCE PROFIT RATE CONSULTATION**

The Single Source Regulations Office (SSRO) is currently carrying out a fundamental review of the methodology used to calculate the Baseline Profit Rate. The SSRO published a number of recommendations in their public consultation which has a closing date of 20 November. A workshop will be held at ADS at the beginning of November for the SSRO to gather responses from industry. The SSRO will then review the responses and put their advice on what methodology should be used to Secretary of State by 31 January 2016. If agreed, this will inform the new Baseline Profit Rate that is announced on 15 March, to come into effect on 1 April 2016.

### **7. DEFENCE CYBER PROTECTION PARTNERSHIP (DCPP)**

The DCPP aims to develop standards to respond to specific cyber threats to Defence that will be implemented into all new MOD contracts in 2016. The progress to date has covered awareness and sharing throughout supply chain including SMEs. Our protection capability is as strong as the weakest link in the chain and therefore particular attention is needed to ensure no vulnerabilities exist throughout the supply chain.

### **8. AOB**

This is the last DSF Main in which Sir Bernard Gray would attend as CDM and he was thanked for all his support. The next meeting will take place in March 2016.