

## **DEFENCE SUPPLIERS FORUM**

### **FIRST MEETING 2016**

**1330hrs-1530hrs, Wednesday 23 March 2016  
5<sup>th</sup> 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 MP	Minister for Small Business, Industry and Enterprise
Tony Douglas	DE&S CEO
Morag Stuart	DE&S Director Commercial
Simon Cholerton	UKTI DSO Operations Director
Janice Munday	BIS Director Advanced Manufacturing and Services
Will Jessett	Director Strategic Planning
Richard Marwood	Head MOD Commercial P3
Steven Morgan	Director Commercial

#### **Industry**

Nigel Whitehead	Group MD, Programmes & Support, BAE Systems PLC
Peter Rogers	CE, Babcock International Group PLC
Paul Kahn	CE, Airbus Group UK
Sir Brian Burridge	SVP Corporate UK, Finmeccanica UK
Victor Chavez	CE, Thales UK
Peter Ruddock	CE, Lockheed Martin UK
Steve Wadey	CEO, QinetiQ
Ian Griffiths	Capability Director, GDUK
Simon Fovargue	VP and General Manager, Hewlett-Packard Defence
Rupert Soames	Group CEO, SERCO UK and Europe
Dave Armstrong	CE, MBDA
Dave Gordon	SVP UK, Defence Aerospace, Rolls-Royce
David Pitchforth	VP, Boeing Defence UK
Allan Cook	DGP Co-Chairman (Industry)
Ed Frankland	DGP Programme Manager

#### **Representative from the SME Forum**

Andy Johnston	Defence Programme Manager, TechUK
Graham Booth	CEO, 2iC Limited

#### **1. DEFENCE UPDATE**

The SDSR endorsed a further £12 billion for the Equipment Plan. Industry must deliver within budget to help realise savings which will be recycled into more capability. MOD is investing £800M to launch an innovation initiative which will also reach out to SMEs. Exports are now a core activity and a focus on modularity and exportability in design will become the norm. Industry welcomed the SDSR, especially its funding for innovation. Industry are content with the direction for the National Shipbuilding Strategy review.

#### **2. SDSR Update**

MOD is working on the 44 commitments falling to the Department from the SDSR, and on the additional shared commitments. A high-level internal guidance document, Defence Strategic Direction, sets out requirements of the Front Line Commands over the next five years. This has informed the Departmental Plan. Work is in hand to explore how core themes from the SDSR on innovation, international-by-design and prosperity are taken forward and an implementation plan on the innovation initiative will be released in the summer. At the Shrivenham 9 Acquisition Workshop in May, there be a discussion on international cooperation and this will be an opportunity to consider what further consultation with industry might be needed in meeting SDSR commitments, including that on refreshing Industrial Policy.

### **3. Cross-Government Steel Action Plan**

MOD participated in the Procurement Working Group chaired by the Minister of the Cabinet Office. The Crown Commercial Service subsequently published a Procurement Policy Note (PPN) to ensure the UK steel industry has the opportunity to compete for contracts. The PPN requires greater pre-market engagement to support the sourcing of future steel requirements; prime contractors to advertise and compete their non-contracted steel requirement; consideration of wider factors such as health and safety, environmental and social aspects; and an emphasis on whole life cost assessments. Defence accounts for only a very small percentage of the steel consumed by the UK economy.

### **4. Defence Growth Partnership (DGP) Objectives for 2016**

The current DGP focus is on innovation and export objectives. Longer-term goals include assessment of future export markets and alternative funding sources for the DGP when BIS funding expires in 2018. A DGP Operations Committee will guide work in the Defence Solutions Centre and DSO. A strengthened DSO is critical to the success of the DGP and in stimulating export opportunities under a "Team UK" approach. Industry should be consulted on plans for DSO as part of the re-organisation of UKTI. The SME sector is seeking easier and more effective engagement with the DGP; SMEs stand to benefit from £7M of innovation contracts which are expected to be let in 2016. The Systems Engineering higher apprenticeships at Cranfield have helped boost training in key skills this year.

### **5. Single Source Profit Rate**

The MOD raised the changes to the Baseline Profit Rate for Single Source contracts, and noted that the 8.95% baseline rate is within the range of rates over the last 10 years and that the actual rate set is often higher. The methodology adopted by the SSRO to calculate the rate used the latest available data at the time consisting of companies operating in both the UK and overseas. Nonetheless, the MOD recognised that this methodology could usefully be developed further, and has asked the SSRO to review it over the coming months. Industry welcomed the opportunity to revisit the methodology.

### **6. Intellectual Property Rights (IPR)**

The draft new MOD intellectual property (IP) contract condition is due for release to industry on 31 March. Industry consultation on the draft condition will occur via the Joint IPR Working Group (JIWG) which will meet every 4-6 weeks. MOD policy on the ownership of industry-developed IP will not change, with ownership generally staying with the contractor which created it. The new condition is intended only to affect new contracts and will not be applied retrospectively, save in exceptional circumstances by negotiation on a case-by-case basis. MOD recognises that bespoke IPR arrangements will still be required in certain circumstances. MOD also recognises the importance Industry place on protecting proprietary information and the new condition will address this concern. Industry have stated the need for an iterative, pragmatic, consultation process to ensure both industry and MOD understand the new condition's implications.

### **7. SMEs and the Supply Chain**

MOD has committed to spend 25% with SMEs. The refreshed MOD SME policy was launched on 14 March to simplify the terms and conditions for SMEs. MOD is trying to attract SMEs into the Defence supply chain. A potential approach would be for primes to mentor one or more small or mid-tier companies. MOD needs primes to manage and provide MOD with relevant metrics about their supply chains. Industry requested further consideration of standardised contracts; SMEs would welcome a comparison chart setting out the degree to which primes involve SMEs.

### **8. AOB**

The next meeting is scheduled for 13 October 2016.