



Ministry of Defence

DEFENCE SUPPLIERS FORUM

FIRST MEETING 2017

**1200hrs-1400hrs, Wednesday 16 March 2017
5th Floor, Pepys Suite, MOD Main Building**

Government

Rt Hon Sir Michael Fallon MP	Secretary of State for Defence (Chair)
Harriett Baldwin MP	Minister (Defence Procurement)
Tony Douglas	DE&S CEO
Louise Tulett	DG Finance
Stephen Phipson	DIT DSO Operations Director
Gavin Lambert	Advanced Manufacturing Services Dir, BEIS
Huw Walters	Prosperity and International Business Dir
Kristina Murrin	Lead Innovation Advisor
Charly Wason	Single Source Advisory Team Head
Thomas Bonney	Head of Industrial Policy
Wg Cdr David Wilkinson	DSP-Strategy-Air
Todd Anderson	DSP-Strategy-US EO
Niroshan Chandrakumar	Industrial Policy 3 (Secretary)

Industry

Ian King	CE, BAE Systems PLC
Archie Bethel	CE, Babcock International Group PLC
Colin Paynter	MD Defence & Space, Airbus Group UK
Norman Bone	Chairman, Leonardo MW Limited
Victor Chavez	CE, Thales UK
Andy Linstead	Director Strategic Engagement, Lockheed Martin UK
Steve Wadey	CEO, QinetiQ
Steve Rowbotham	COO, GDUK
Roger Hood	Strategic Intelligence Director, Hewlett-Packard Defence
Rupert Soames	Group CEO, SERCO UK and Europe
Dave Armstrong	CE, MBDA
David Pitchforth	Vice President, Boeing Defence UK
Chris Chorleton	President – Defence Aerospace, Rolls-Royce
Allan Cook	Industry co-chair for DGP
Ed Frankland	DGP Strategy Manager

Representative from the Mid-Tier Forum

Steve Fitz-Gerald	Marshall ADG, Group Strategic Advisor
-------------------	---------------------------------------

Representative from the SME Forum

Paul Everitt	Chief Executive, ADS
--------------	----------------------

Apologies

David Hansell	Managing Director of MSI-Defence Systems Ltd
---------------	--

1. DEFENCE UPDATE

Since the last DSF, Sir John Parker had released his independent report on how to transform UK warship building; the innovative Unmanned Warrior exercise had completed and there had been several notable export successes. Prime Minister Theresa May had set out the Plan for Britain, including the 12 priorities in negotiating the UK's departure from the EU and the Secretary of State

remains heavily engaged in Brexit discussions. This was Ian King's last DSF Main before his retirement and SofS thanked him for his contribution.

2. UPDATE ON THE INDUSTRIAL STRATEGY

The purpose of the Industrial Strategy is to drive prosperity and growth. A Green Paper was released on 23 January, the consultation on which will conclude on 17 April. The three areas of focus are: building upon existing strengths; closing the performance gaps in our industry sectors and skills; and making Britain the best place to start and grow a business. The Industrial Strategy White Paper will be released later this year. BEIS are looking for radical ideas from industry to deliver the ambition of the Industrial Strategy, backed by £4.7Bn of Government R&D funding, and Government departments are discussing how existing initiatives such as the apprenticeship levy could support this.

3. UPDATE ON THE REFRESHED DEFENCE INDUSTRIAL POLICY

Since October, work on refreshing Defence Industrial Policy has been led by six workstrands on innovation, defence capability, doing business with defence, value for money, international by design, and engaging with industry. MOD has been grateful for the strong contribution from industry during the consultation phase. Industry welcomed the level of consultation and were keen to remain engaged ahead of expected publication in late spring.

4. DEFENCE INNOVATION INITIATIVE

Following the launch of the Defence Innovation Initiative in September 2016, we have made considerable progress on the commitments made in SDSR 15. The Defence and Security Accelerator was launched on 8 December 2016 and its new Head, Dr Lucy Mason, will start work in April. Kristina Murrin has been appointed as MOD's lead innovation advisor and Professor Durrant-Whyte as the new Chief Scientific Advisor. The first Accelerator innovation challenge was launched in January looking to disperse £3.0M to revolutionise the human and information interface. This is due to conclude in April. The second competition is an enduring challenge with up to 12 rounds each year, with £6M available during the first year. It also covers proposals at more mature levels of technological readiness as well as non-technological innovation requirements in areas such as business process, organisation or training. An independent advisory panel has been appointed to challenge the Department's way of working and to ensure that the MOD maintains the correct pace and objectives in developing a more innovative culture. Now within Kris Murrin's remit, the next phase of the Innovation Initiative, building on work to date, will focus on bringing more cohesion and present findings in the Summer. The Defence Growth Partnership has also played its part in unlocking innovation from industry. Industry wants MOD to be clearer on its priorities and how intellectual property will be considered from an innovation standpoint.

5. DEFENCE GROWTH PARTNERSHIP (DGP) OBJECTIVES FOR 2017

The DGP's priorities are the UK skills gap and increasing its understanding of customer requirements and priority markets. Lord Prior had encouraged the DGP to take a more sectoral approach in considering the potential for sector deals in the context of the wider Industrial Strategy. The DGP would need regular engagement and support from BEIS, MOD and DIT if it were to propose and develop a long-term sectoral approach to the defence sector. The DGP did not currently have the resource for this, but industry believed this would be forthcoming if needed. Dialogue within the sector was radically improved since the DGP's inception four years ago but it was important to demonstrate DGP 'wins'.

6. BASELINE PROFIT RATE FOR SINGLE SOURCE PROCUREMENT

Secretary of State had announced the new baseline profit rate of 7.46% on 15 March. Industry were encouraged to consider the wider opportunities to increase return arising from a more ambitious approach to overall contract cost reduction. The Secretary of State is not bound by the SSRO's advice and had carefully considered both the SSRO's recommendations and representations from industry. This year there has been more transparency in the baseline profit rate methodology, also published, which was welcomed by industry.

7. AOB Additional Topic - CP&F

The new CP&F package is stable with £8.7bn worth of payments having been successfully made by 17 March 2017. MOD is aware of the issues regarding the payment of invoices and are working with industry to resolve these problems. Min(DP) is receiving weekly updates on the progress being made to resolve these issues.

8. AOB Additional Topic - IPR

MOD intends to issue a revised DefCon for consultation shortly but in the meantime the DIPR team remains available to discuss any IPR concerns.

9. AOB

The next meeting will take place on 12 October 2017 from 10:00-12:00 in the Pepys Suite, MOD in Building.