

DEFENCE SUPPLIERS FORUM

SME FORUM

Record of Meeting – 5 March 2014

Government

Philip Dunne MP – Minister for Defence Equipment, Support and Technology – Chair

Robin Little – Supplier Relations Team, DE&S

Claire Willerton – Home Office

Howard Gibbs – Small Business Unit, UK Trade and Investment Defence and Security Organisation

John Cook - Head of Defence Security and Assurance Services, CIO

Carol Bernard – Head of Defence Security, DBR

Andrew Sams – Industrial Policy, DECS

Christopher Hiller – Industrial Policy, DECS [Secretary]

Industry

Clive Davenport – Federation of Small Businesses (FSB)

David Townsley – NDI

James Coady – ADS (representing Paul Everitt)

Gordon Morrison – techUK

Ed Bates - Society of Maritime Industries

Jonathan Conder – Head of Strategy, Marshall

Joe Baynes – Political and Senior Government Relations, Marshall

Jim Lawton – HITEK Electronic Materials

Jonathan Cunnison – RJD Technology

Apologies

Paul Everitt – ADS (represented by James Coady)

Welcome and Introductions

1. Min(DEST) welcomed attendees to the first DSF SME Forum of 2014. He summarised key developments since the last SME Forum on 5th November 2013, including Lord Levene's report praising the Ministry of Defence (MoD) for embracing complex and radical change to improve both efficiency and financial management; an update on the DE&S transformation work making DE&S a bespoke trading entity, as well as the recent UK/US announcement to boost science and technology collaboration in cyber security, space research and energy consumption. Minister also spoke on the SME engagement events that he had undertaken, and those which are planned for the future.

Secretary Note: We will inform SME Forum members of Minister's future SME engagement events as his programme develops, so that Trade Associations have the opportunity for their local SME members to attend.

Defence Cyber Protection Partnership (DCPP)

2. John Cook provided background on the DCPP. That Secretary of State endorsed DCPP in February 2013 and it was launched by Min(DEST) in July 2013. Membership of

the DCPD has increased from six to twelve companies since its establishment. The Partnership includes the major primes and the views of SMEs are represented by the participation of ADS and techUK.

3. John Cook stated that the implementation of any new cyber security standards will be proportionate to the risks, and that the Partnership would ensure they are not over burdensome, do not unnecessarily or inadvertently preclude entry to the market, and do not price out SMEs. Any proposed measures will be processes that suppliers should be doing in any case. The DCPD is focusing on core areas that companies should concentrate on to improve companies' cyber hygiene. Standards will not be mandated throughout Government, but the MoD will mandate them as necessary when letting future contracts. If SMEs require further information on this topic they should contact techUK. John Cook said that the innovative skills and agile approach offered by SMEs gave them the opportunity to be at the forefront of improvements in the cyber security standards, and that they should therefore be able to obtain a significant foothold in the market.

4. Industry responded by saying that they were concerned by the language used in the DCPD information portal as it was very technical and required knowledge of the DCPD to understand and use. A lot of companies have the impression that DCPD doesn't affect them as they consider it to be just about cyber security, rather than the protection of information. John Cook said he would take these views away and consider how to better promote DCPD as a benefit to companies.

Changes to Government Security Classifications

5. Carol Bernard outlined the changes to the Government Security Classifications (GSC) that come into effect on 2nd April 2014. She stated that these changes are being implemented by the Cabinet Office and are being introduced now as information has become more IT focused. There is no change to the way that information classified Top Secret and Secret will be handled. All information below Secret will now be classified as Official. Information that is sensitive could be marked as Official-Sensitive. Documentation with this classification is permitted to be sent over the Internet in exceptional circumstances. New contracts from 2nd April 2014 will contain the new classification, but existing contracts will not change until their next contract review. However, all contracts will have to be transferred to the new classification system by 1st April 2015.

6. For international classified information, discussions with international partners to amend bilateral Security Agreements are on-going. International Restricted information will equate to UK Official-Sensitive and International Confidential will be protected to the standard applied to UK Secret.

7. Industry raised a concern about documentation currently marked as Protect-Commercial. This documentation would be often in future be marked by officials as Official-Sensitive, as it includes commercial sensitive information such as pricing, rather than sensitive national security information that would warrant a higher classification. As such, document transmission could become much more difficult. Robin Little said that detailed advice on how to implement the new GCS has been forwarded to commercial staff, so that the department's commercial approach to GCS should be consistent.

8. Howard Gibbs questioned how it would affect the MOD Form 680 process when selling to international companies. Carol stated that further investigations would need to be undertaken to fully understand this issue.

Secretariat After Note: From 2nd April 2014, the entry level for MoD Form 680 applications will be for material bearing the OFFICIAL-SENSITIVE classification and that the Form 680 policy is changing to require such applications will to be submitted by Non List X companies as well as those that are List X.

DGP – Value Chain Competitiveness Update

9. Jonathan Conder provided background to the Defence Growth Partnership (DGP), highlighting the Prime Minister's announcement of DGP at the Farnborough International Air show (FIA) 2012, the publishing of the "Securing Prosperity" document during DSEi 2013 and the planned publication of the DGP Implementation Plan at FIA 2014. He stated that due to the decreasing defence budgets of western countries, growth through exports is the big idea woven throughout the DGP work.

10. He explained that a SME Workshop was held in December 2013, which some Trade Associations in the Forum felt had not been advertised appropriately, which was duly noted by Jonathan. Future SME Roadshows have been arranged through Regional Trade Associations (to which ADS confirmed that SMEs represented by other Trade Associations were welcome) which will provide another opportunity for SMEs to engage with the DGP process. Further information on these events can be found by contacting ADS. It should be noted that the DGP have already had a number of SMEs engaging in the process. Their questionnaire distributed in November 2013 received 78 responses of which 70% were SMEs, but the Forum noted that it can be difficult to ensure that engagement with SMEs is sufficient and fitting.

11. Jonathan explained that the goal of the Value Chain Competitiveness Working Group was to 'identify ways to enhance the global competitiveness of the UK's defence value chain; covering prime activities and their associated supply chains; to provide differentiation in terms of capability, cost and market access'. The Group's work is based around four themes; innovation, competitiveness, market access and enabling SMEs. Two main propositions had been identified: a Defence Technology Institute combined with an enhancement of the Centre for Defence Enterprises ("CDE Plus") and a 'flotilla' export exploitation model to enable groups of companies to work together to offer the widest possible turnkey solutions to export customers .

Secretary Note: Future DGP Road Show events: 18th Mar - Rolls-Royce Learning and Development Centre, Derby; 3rd Apr – Preston Marriott Hotel, Preston; 7th Apr – The Council Offices, Farnborough; and Date TBC – BAWA Club, Filton.

Any Other Business

12. Robin Little provided an update on the MoD's performance against the Government's aspiration for 25% of procurement spend to be with SMEs. The present focus was on obtaining better visibility of the extent of indirect procurement spend with SMEs at lower tiers of the supply chain. The Cabinet Office had agreed to extend the present trawl of primes for their SME spend at Tier 2 from about 200 major Government

suppliers to the top 500 suppliers. Pilot “deep-dives” into Primes’ spending will also take place in the following months to gain a better understanding of lower tier indirect spend with SMEs; if the pilots are successful, the approach will be rolled out more widely. Robin also highlighted the concern within Government of prompt payment, not by the MoD whose 92% of payments are made within 5 days, but by contractors to sub-contractors.

13. Minister explained that both MoD and Department for Business, Innovation and Skills (BIS) officials are looking into access to finance for companies which operate in the defence sector after a small number of cases had been reported to the MoD where SMEs have had their banking services abruptly withdrawn by banks. He also explained that the Exports DSF sub-group will be discussing the consistency of export licenses. Both of these topics will be an agenda item at the next SME Forum.

ACTION: Trade Associations should provide the Secretary with examples of SMEs being denied finance due to operating in the defence sector by 31st March 2014.

14. Minister also suggested that autumn’s SME Forum should be a similar event to the 5th November 2013 meeting that was held at CDE and asked for suitable venues and ideas.

ACTION: Trade Associations should provide the Secretary with suggestions for a suitable venue to hold autumn’s SME Forum by 18th April 2014.

Date of Next Meeting

15. The next SME Forum is scheduled for 13th May 2014, 1000-1130hrs.

Christopher Hiller

DSF SME Forum Secretariat