

DEFENCE SUPPLIERS FORUM

SME SUB-FORUM

Record of Meeting – 13 May 2013

Government

Philip Dunne MP – Minister for Defence Equipment, Support and Technology – Chair
Les Mosco – MOD Commercial Director and SME Champion
Robin Little – Supplier Relations Team, DES
Andrew Bates – Arms Control & Counter-Proliferation Policy
Andrew Sams – Industrial Policy, DECS
Ben Fletcher – Home Office
Arfan Chaudhry – UKTI DSO
Edward Bell – Export Control Organisation, BIS
Christopher Hiller - Industrial Policy, DECS [Secretary]

Industry

Paul Everitt – A|D|S
David Townsley – NDI (representing Mike Maiden)
Clive Davenport - Federation of Small Businesses (FSB)
Gordon Morrison – Intellect
Andrew Johnson – EEF
Ed Bates - British Naval Equipment Association (BNEA)
Steve Kingan - Nexor
Jonathan Cunnison – RJD Technology Ltd
Andrew Wright – Reliance Precision Ltd

Apologies

Richard Martin - ADEPT NX

Welcome and Introductions

1. Min(DEST) welcomed attendees to the second DSF SME Forum in 2013. Min(DEST) reaffirmed the importance the Ministry of Defence (MOD) places on engaging with Small and Medium Sized Enterprises (SME). He summarised key developments since the last SME Forum on 29 January 2013, including the publication of the MOD's Ten Year Equipment Plan.

MOD's Plan to Involve SMEs in Defence Business

2. Les Mosco tabled a list of the MOD's current approach to involving SMEs in defence business (copy attached at Annex A). He explained some of the key actions that MOD has completed, such as advertising all MOD contracts worth over £10K and MOD's intention to introduce new standard contract language to encourage the participation of SMEs in the defence supply chain. MOD's approach is to ensure a level playing field for SMEs by tackling barriers, rather than preferential treatment. As part of the Government's aspiration to spend 25% of procurement spend with SMEs (both directly and indirectly), MOD would welcome suggestions from members of the SME Forum on how the MOD can better measure indirect SME spend at lower tiers of the supply chain. In open forum, there were

discussions around the use of the Small Business Research Institution (SBRI) and on a current Intellect study on improving how smaller companies could work better together, as well as their relationship with Primes.

ACTION: Industry members to submit to DSF SME Secretariat any suggestions on how the MOD can better measure indirect SME spend within Primes' supply chains by 5 July 2013.

ACTION: Intellect to present their paper's findings at the next SME Forum.

Addressing SME Challenges in the Export Licensing Process

3. Paul Everett presented an industry paper to the Forum which highlighted some concerns with the export licensing process. Paul stated that improving the export licensing process should be a joint effort between Government and industry. He also recognised continued pressure on Government resources, and the important role Trade Associations can play to educate industry while making licence applications.

4. Edward Bell responded on behalf of the Government and welcomed the paper as a catalyst for improvements to be taken forward jointly. Edward welcomed ongoing discussions with industry to continually improve the licensing process that included a focus on enhanced education and training.

5. Min(DEST) stated that the Government has recently applied further pressure on the US to lift some of their ITAR restrictions on technologies. Minister mentioned that during his recent visit to the US, a topic of discussion had been to look at how UK SMEs could enter the supply chain of US Primes. Minister requested that this topic be an agenda item at the next SME Forum.

ACTION: International Relations Group (IRG) to investigate and present at the next DSF SME Forum the potential for UK SMEs to engage with US Primes.

ACTION: BIS ECO to consider alongside Trade Associations what further steps can be made to further train and educate industry on the export licensing process.

Update: Promoting the UK Defence Supply Chain

6. David Townsley provided an update on the NDI paper which considers how to promote the UK supply chain. The paper is currently being considered across industry. Min(DEST) thanked NDI for their work so far and requested Trade Associations to assist in maturing the paper sufficiently for it to be discussed at the next SME Forum.

ACTION: NDI with the assistance of other Trade Associations to mature the "Promoting the UK Defence Supply Chain" paper sufficiently for it to be discussed at the next SME Forum.

Entering into a Primes' Supply Chain

7. Robin Little provided the Forum with some background on this topic. The recently published House of Commons Defence Committee (HCDC) report on Defence Acquisition had included a recommendation to the Government about improving the present slow and bureaucratic process necessary for new SMEs to access a Prime's supply chain. The

MOD's response sent to the committee on 30 April 2013 had stated that it would raise the issue at the next DSF SME Forum. It is being dealt with by an out of committee letter seeking members' views sent on 13 May 2013 to all Forum members. Min(DEST) asked Trade Associations to respond to the MOD by 28 June 2013.

ACTION: Trade Associations to provide a response to the out of committee letter on SMEs entering into Primes' supply chain to the MOD by 28 June 2013.

Any Other Business

8. Ben Fletcher from the Home Office stated that they were considering what further steps could be taken to promote the security and defence legacy of the 2012 London Olympic and Paralympic Games.

9. Gordon Morrison asked what opportunities SMEs would have to raise their concerns to the MOD on the proposed GOCO option. He stated that a GOCO would create a major change to SMEs supplier/customer relationships.

ACTION: DSF SME Forum Secretariat will add SME/GOCO engagement as an agenda item for the next DSF SME Forum.

10. The next DSF SME Forum is scheduled for 23 October 2013 at 1000hrs in Main Building.

Christopher Hiller
DSF SME Forum Secretariat

MOD Action Supporting SMEs Includes:

- Providing advance notice of the pipeline of future MOD requirements.
- Specifying open system designs so that SMEs can offer plug-in enhancements.
- Advertising all MOD contracts worth >£10k.
- Flagging contracts suitable for SMEs in DCB, DCO and Contracts Finder.
- Encouraging bids from consortia of small businesses where a single SME may lack the capacity or capability.
- No longer eliminating potential bidders solely on the basis of rigid contract value/company turnover ratios.
- Establishing the DSF SME Forum, chaired by Min(DEST), to provide smaller businesses and their representative bodies with direct access to Ministers and Government.
- Developing a simplified standard template for contracts < £250k for off-the-shelf goods and extending the approach to contracts <£500k.
- Minimising the use of PQQs for low-risk procurements < £100k and, where PQQs are still used, adopting a common core questionnaire standardised across government.
- Committing to pay at least 80% of undisputed invoices within five working days and requiring all contractors within the defence supply chain to pay subcontractors within 30 days.
- Creating the role of the MOD SME Champion.
- Updating our interim payments Commercial Policy Statement.
- Introducing SME content into procurement training programmes.
- Increased visibility of SME guidance in Departmental instructions.
- Developing a debt factoring Commercial Policy Statement.
- Maintaining the SME portal and outreach service through the Defence Suppliers Service.
- Enhancing the role and funding of the Centre for Defence Enterprise.
- Amending contract documentation to encourage the participation of SMEs in the Defence Supply Chain.

A full listing of actions and progress is in the MOD's SME Action Plan can be located at the following address:

(https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/136068/20130129_MOD_SME_ACTION_PLAN_V1_0.pdf).