



Ministry
of Defence

Refreshing Defence Industrial Policy 2016: Review of Consultation Responses

Background

MOD is refreshing its Defence Industrial Policy. This will build on the SDSR commitment to support the growth and competitiveness of UK industry while still meeting MOD's value for money and capability requirements. It will demonstrate MOD's alignment with and contribution to wider Government Industrial Strategy.

This is a summary of the views expressed in response to the online consultation which ran between 22 November 2016 and 6 January 2017. We received 32 responses from a variety of respondents, ranging from prime defence suppliers to small and medium-sized companies, including some non-traditional defence suppliers.

MOD does not offer any comment here on the views expressed during consultation; the responses will be taken into account in refreshing Defence Industrial Policy.

Key Themes Provided to MOD from Online Consultation

Optimising Capability Development

MOD should be more flexible and collaborative in requirement-setting, engaging industry as early as possible in the process. Requirements can be overly prescriptive, constraining more innovative proposals which can be too readily rejected as non-compliant. MOD should do more to align its science and technology, and research and development (R&D) investments with potential acquisition interests later in the procurement cycle. Where possible, MOD should adopt open civilian standards in specifications and make use of spiral development. MOD needs to better embed its policy on exportability and ensure appropriate accountability within the Department and across Government for supporting defence exports. More emphasis should be given to buying goods and services from UK suppliers, and more assurance is required that we are adequately protecting the UK's freedom of action and operational advantage.

Doing Business with Defence

The MOD should encourage its prime contractors to flow down terms and conditions to sub-contractors, particularly Small and Medium-sized Enterprises (SMEs) in the supply chain. The bidding process for MOD contracts could be more streamlined. SMEs and non-traditional defence suppliers are often deterred from bidding for MOD contracts by the complexity and lack of pace in defence procurement - for example in the time between an invitation to tender and the placing of a contract. Current contracting frameworks could be improved to help SMEs and incentivise performance, while reducing red tape. There

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should be more disaggregation of standard commercial products where more suppliers could compete. The supply chain advocates network is poorly advertised and needs to be strengthened and better resourced to help facilitate SME engagement and alert suppliers to future opportunities. Some respondents argued that prospective changes to MOD intellectual property rights conditions would deter companies from bidding for MOD contracts.

Value for Money

Improved understanding of MOD internal processes could help industry, including non-traditional suppliers, submit better solutions to MOD requirements. Further consideration is needed on how MOD could assess alternative bids that provide better value for money; perception that MOD often opts for the lowest price, rather than the Most Economically Advantageous Tender. Industry would like MOD, BEIS and DIT to work closely in assessing the impact of MOD defence procurement decisions across the UK economy. MOD should do more to recognise the economic contribution of the UK supply chain. A consistent, robust, not overly bureaucratic and independently verifiable approach to socio-economic data collection is required. Industry would also need to be confident that it understood which prosperity criteria were being considered by MOD in investment appraisals and how they might be weighted. The impact of the Single Source Regulations on the health of the wider defence sector should be assessed.

International by Design

There is some uncertainty over MOD's purpose in its industrial-by-design policy. The MOD needs to promote services as well as equipment of the UK defence industry to international customers. Government should take more strategic consideration of potential international partnerships, including the number of partners in any collaborative agreement. More support for SMEs regarding licencing is needed to support lower value exports. Government should review its policy on industrial offsets, particularly in light of EU exit. France is an example of best practice the UK might emulate in setting a strategic approach to defence industrial planning, collaboration and exports.

Engaging Industry

The Defence Suppliers Forum and related groups could be improved by reassessing their purposes and memberships. MOD should engage with Industry earlier in the procurement cycle and better articulate the potential pipeline of opportunities including costs to help industry, particularly SMEs justify market engagement. Joint MOD-industry training in areas such as commercial awareness is needed. MOD needs to improve engagement with SMEs and non-traditional suppliers, in particular making them aware of opportunities within Defence.

Innovation

The Defence Innovation Initiative and the Defence and Security Accelerator should align with other innovation and growth initiatives. Industry would like to understand better how the Innovation Initiative fits into wider MOD processes and structures. The MOD should consider alternative procurement approaches to promote innovative solutions, especially from SMEs. A whole government approach is required in order to align civil and defence opportunities.