



Ministry
of Defence

Defence
Suppliers Forum

**DEFENCE SUPPLIERS FORUM MAIN
31 JANUARY 2023**

ATTENDEES

Government

Rt Hon Ben Wallace MP – Secretary of State for Defence
Alex Chalk MP – Minister for Defence Procurement
Andy Start – Chief Executive Officer DE&S
Andrew Forzani – Director General Commercial
Julie Brettell – Defence Commercial Supply Chain Director
Brig Jo Chestnutt – Head of Defence Supply Chain Operations & Movements
Nick Toogood – Director Industrial Strategy and Exports
Maj Anthony Bryant – Dir Joint Support MA
Dave Coggins – DSF PMO TL
Hannah Weir – DSF PMO

Industry

Charles Woodburn – Chief Executive Officer, BAE Systems
John Howie – Chief Corporate Affairs Officer, Babcock
Richard Franklin – Managing Director, Airbus Defence and Space UK
Alex Cresswell – Chief Executive Officer, Thales
Steve Wadey – Chief Executive Officer, QinetiQ
Michael Ord – Chief Executive Officer, Chemring
Neil Timms – Senior Vice President, CGI
Julian David – Chief Executive Officer, techUK
Fred Sugden – Associate Director Defence, techUK
Ben Carpenter-Merritt – Head Government Relations, Babcock

Item 1: Welcome and Introductory remarks

1.1 Rt Hon Ben Wallace MP, The Secretary of State for Defence, and Charles Woodburn, welcomed representatives from across MOD and Industry to the Defence Suppliers Forum. Julie Brettell who recently joined the MOD as Supply Chain Director introduced herself and her role.

Item 2: Strategic Messages

2.1 The Secretary of State noted that we still face strategic supply-chain challenges. There is now an established rhythm in place for fulfilling orders and backfilling stock in support of Ukraine. However, with £600M required to sustain this effort we need to guard against buying at inflated prices. It is also ever more important to ensure that defence procurement sustains and stimulates UK prosperity. He also challenged industry to reflect on what more can be done to strengthen the UK defence supply-chain, what lessons have we learned over the past three years and how can this help us procure what is needed more quickly and efficiently.

The Secretary of State recognised that access to the right skills continues to be an issue, and wants industry to embrace opportunities to provide more apprenticeships to help develop those skills.

2.2 Charles Woodburn responded that within BAES there has been an increase of 40% in apprentice numbers with improving retention of skilled workers as a result.

He said that long term demand signals from MOD would be helpful for Industry in developing longer term plans – other nations are focusing increasingly on supply-chain issues and the UK should be doing more to keep pace. He mentioned that measures including aggregating demand will assist industry. He signalled industry's willingness to help with ongoing pressures in the defence budget but acknowledged that inflation was proving challenging across the industry.

2.3 The Secretary of State stated that there is no blanket solution to cost pressures and that new funding to compensate for Inflation is extremely unlikely, although MOD will continue to work with Treasury on the next Spending Review.

He highlighted that we have opportunities to partner with market entries and that he would like to establish a team to focus on this.

Item 3: Industry challenges

3.1 Julian David highlighted current Industry areas of concern.

He highlighted that a lack of suitably qualified engineering and digital teachers and trainers was constraining our ability to develop workers with the right skills. There needs to be a concerted effort to 'teach the teachers' to help, allied with the introduction of more engineering and digital apprenticeships.

He also mentioned that adopting a more standardised use of supply-chain data and architectures will help aid resilience by facilitating sharing of data and intelligence.

3.2 Neil Timms, co-chair of the techUK Defence and Security Board, noted the group has a focus on Comms and IT Security. Again members are highlighting particular pressure around availability of skills and SQEP exacerbated by current security clearance timescales, a lack of stability in IT programmes which has an adverse effect on Small and Medium Enterprises (SMEs), and without-notice changes to licencing agreements with large software suppliers. In tech UK we are exploring collective buying of software and are also looking at the impact of other industry-wide issues such as Social Value and Climate Change. He expressed a wish for better representation of the CIS element of industry at these meetings.

Charles Woodburn noted that adopting open architecture is the way forward, for example to enable multi-domain integration with the Secretary of State recognising that it allows for a much more competitive market.

Item 4: Supply Chain Resilience & Inflation

4.1 Brig Jo Chestnutt highlighted that the Defence [Supply Chain Strategy](#) was published in November 2022, providing a blueprint for a more resilient supply-chain to be created by design. The Strategy contains a vision which has three clear objectives to be implemented over the course of the year:

- Firstly, recognising the need for better balance and a shift away from a default position on cost reduction and efficiency gains, a new value proposition for the defence supply-chain is defined. One which accounts for reliability, service and environmental sustainability as well as cost, in assessing trade-offs to achieve the required outcomes.
- Secondly, to build a supply chain, resilient by design and able to maintain delivery of defence outputs in the 'new normal' and its associated challenges, a Bi-modal approach is detailed. This approach provides Defence with the capabilities and optionality to de-risk procurement challenges and/or rapidly respond to external shock events.
- Finally, setting the performance and functional maturity ambition for the Defence Supply Chain for 2030 as we drive towards a proactive, integrated and collaborative Supply Chain.

4.2 Andrew Forzani reported that the department is significantly increasing its work on understanding its supply-chains with DE&S planning to roll out a tool to map programmes to Tier 4. In this work we need collaboration with industry to invest in supply-chain insight as this will help us all share reliable data and understand risks and fragility.

We are also breaking new ground in the DSF, with the Supply Chain Resilience Working Group jointly looking at common issues and mitigation action in the critical component space - an activity that hasn't been done before and it is not easy.

The Secretary of State noted the importance of the DSF plan to undertake proof-of-concept work to identify, in the medium term, the components or raw materials that are most critical to Defence and have some suspected vulnerability in the supply chain which may require a pan-industry (strategic) response. He welcomed a progress update in April 2023 which will provide a stocktake of initial discovery work by the three MOD - industry tigers teams (on Semiconductors, battery technology and energetics) to frame the problem and recommend actions for further analysis and potential joint mitigation strategies.

Industry noted that compiling data is a huge demand which can be time consuming and a cost burden, advising that testing as we progress would be advisable. The MOD agreed and understood concerns but advised that the technology used is useful and quick, allowing for efficient spending. Where mapping is important, we must also then understand the 'so what'.

Item 5: Executive level DSF Feedback

5.1 Andy Start and John Howie, as new DSF Executive Group co-chairs, recently took stock of the DSF and were pleased that Industry and MOD have an excellent awareness of what

we are there to do and agreed that it was focussing on the correct areas to act as an effective capstone for government/industry defence engagement.

The DSF has evolved its structure and membership in response to the pandemic, DSIS, EU Exit and the Ukraine crisis, with improved representation from across the supply-chain including significant involvement from SMEs. New focusses include Digital, Security and Climate Change & Sustainability reflecting current government priorities.

5.2 We continue to build on this good work, looking to avoid duplication, ensuring there is an efficient structure and tangible outputs. The overall DSF aims are to:

- protect the nation
- improve availability of Defence assets.
- accelerate the pace of capability enhancements
- enhance our strategic industrial partnerships nationally and internationally

We have learnt valuable lessons from the Ukraine conflict and these will help Industry to be successful.

5.3 Andy Start also noted that as DE&S CEO, he is inviting DSF members to be involved in how DE&S redesigns its strategy and operating model. He asked for supplier insight on how we can reduce timelines and improve decision making timeframes.

He recognised that one of the biggest issues facing MOD currently is the delays created when working between government departments. Resolving this could significantly reduce procurement timescales in some areas.

5.4 Andy Start stated that a refreshed vision had been jointly developed providing a clear strategy and suggested that the Secretary of State and Charles Woodburn should take the opportunity to formally sign the vision as part of the meeting.

Item 6: DSF Vision Refresh

6.1 The joint industry vision statement was originally developed in 2019 to describe a target relationship between industry and MOD which would enable transparency and an open and robust relationship, allowing us to meet strategic challenges in an increasingly uncertain global environment.

The DSF Vision has been jointly refreshed between MOD and industry in response to the changing defence environment, building on the original to include refined behaviours, a desire to establish clear metrics and recognition of its important role in enabling delivery of strategies such as DSIS.

The Secretary of State and Charles Woodburn signed the DSF Vision.

Item 7: Closing remarks

4.1 The Secretary of State thanked everyone for their time, input, and rich discussion today. It is important that we continue this positive, collaborative approach and I look forward to taking the time for further strategic dialogue on this as well as hearing how key DSF deliverables are progressing throughout 2023.