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**DSEI INTELLIGENCE
BRIEFING**

The Defence Equipment Plan: a decade of prudence and clarity

At the beginning of the year, the Ministry of Defence shared with industry its ten-year procurement vision with publication of its long-term defence equipment spending plans, which will total almost £160 billion. Details of the MOD's plans for equipping the Army, Royal Navy and RAF over the coming decade, and how this will be funded, were announced to offer clarity and open up business opportunities to make British troops among the best equipped in the world.

The MOD's Defence Equipment Plan covers the decade to 2022 and is the first time the Department has outlined defence equipment spending over such a long period, reflecting the growth and lifespan of major military projects.

The publication of the Equipment Plan is part of an ongoing commitment to transparency across Government and provides more information on defence spending plans than has ever been previously published. Defence Secretary Philip Hammond said he believed the plan will help deliver greater efficiency within the Department and enable the defence industry to plan its future investment with greater confidence.

"The Equipment Plan provides more information on defence spending plans than has ever been previously published"

Supplying to the MOD is a competitive business and, as suggested by the CBI following the announcement of the plan, greater visibility of how the MOD will allocate £160 billion of spending

over the next decade will give companies more security when making investment planning decisions in the UK.

The Equipment Plan includes some major investments in state of the art military capabilities and their support over the next ten years. The MOD currently spends around forty per cent of its budget on equipment and equipment support, but the Department forecasts that this will increase to forty five per cent by the end of the decade. This is good news for both Service personnel and business.

In headline terms, over the next ten years the MOD will spend £60 billion on the procurement of new equipment and £18 billion on support arrangements for new

equipment, including spending on routine spares and maintenance, ship refits, support arrangements for communications and information infrastructure, and the running costs of the nuclear propulsion and

nuclear weapons production facilities.

Mr Hammond has also introduced for the first time a contingency of £4.8 billion to manage cost variation and protect existing projects. Structuring the Defence Equipment Plan and the budget that supports it in this way is intended to enable the MOD to deliver Future Force 2020 and help bring the defence programme back into balance while maintaining the Armed Forces and making its equipment fit for the 21st century.

Drilling into the plans further reveals that £35.8 billion is to be spent on submarines and the strategic nuclear deterrent, including a total of seven Astute Class attack submarines and developing a replacement for the Vanguard Class ballistic missile submarines. A further £18.5 billion will be invested in combat air, including Lightning II and Typhoon fast jets and Unmanned Aerial Vehicles (UAVs); while £17.4 billion worth of spend will be channelled into ships, including the Queen Elizabeth Class aircraft carriers, six new Type 45 destroyers and the development of the Type 26 Global Combat Ship.

The next decade will also see £13.9 billion spent on aircraft for

£13.9Bn
on aircraft for air-to-air
refuelling, passenger
and heavy lift

£18.5Bn
on combat air

£12.1Bn
on helicopters

£17.4Bn
on ships

£12.3Bn
on armoured fighting vehicles

£35.8Bn
on submarines

£11.4Bn
on weapons

The Defence Equipment Plan

air-to-air refuelling, passenger and heavy lift, such as Voyager and A400M; £12.3 billion spent on armoured fighting vehicles, including Warrior, Scout and other land equipment; £12.1 billion spent on helicopters, including Chinook, Apache, Puma and Wildcat; and £11.4 billion spent on weapons, for example missiles, torpedoes and precision guided bombs.

Around eighty per cent of this equipment spend is contractually or otherwise committed in the early years of the programme, with twenty per cent due to be spent at the end of the decade.

The plan also includes an additional £8 billion, which is currently unallocated. This will be committed as new equipment priorities emerge, and only once the MOD is confident that such priorities are affordable and hence deliverable.

Defence Secretary Philip Hammond said in January: "It is essential that our Forces are fully equipped to respond to the range of threats we face in this uncertain world. This £160 billion Equipment Plan will ensure the UK's Armed Forces remain among the most capable and best equipped in the world, providing the military with

the confidence that the equipment they need is fully funded. For the first time in a generation the Armed Forces will have a sustainable Equipment Plan."

The affordability of the plan was scrutinised by the National Audit Office (NAO), and their independent analysis was also published. The NAO said that the MOD has substantially revised the way it compiles and manages its Equipment Plan and is now approaching the task on a more prudent basis.

The NAO is also satisfied that the MOD has taken difficult decisions to address what was estimated to be a £74 billion gap between its forecast funding and costs, and that it has taken significant positive steps designed to deal with the accumulated affordability gap and lay the foundations for future budgetary stability.

Mr Hammond said he was delighted that the NAO had recognised that significant progress has been made with the Equipment Plan and that positive steps have been taken to deal with the affordability gap.

The Defence Secretary added: "The [NAO] report also shows that, in addition to the Core Equipment

Plan, we have around £8 billion of additional headroom in the later years of the decade. This will allow us to fund, incrementally and flexibly, a number of additional programmes that are a high priority for defence, as soon as we can be sure that they are affordable. We will do so only at the point when commitment is required to meet the operational requirement and only in accordance with the military assessment of priority at the time, an order defined by operational need, rather than short-term financial pressure."

The importance of the Defence Equipment Plan cannot be doubted, and the transparency of its commitments is sure to receive a warm welcome from industry. The best way to support the Armed Forces, according to Mr Hammond, is to present well-managed programmes with assurances that the Equipment Plan is deliverable; the financial headroom announced in the plan and the flexibility it will allow is a positive signal for all.

Further Information

For more information visit:
www.contracts.mod.uk/dsei

DP RTE 2013: connecting the supply chain

The Defence Procurement Research, Technology & Exportability 2013 showcase will take place on 20 November in Bristol. DP RTE 2013 is set to present a crucial market engagement opportunity for policy makers, technology users and technology producers alike.

DPRTE 2013 will recognise the fundamental role that emergent technologies can play in ensuring that UK defence and security capacity is maintained into the future. The event will also measure the progress made in key defence transformation projects such as the Defence Materiel Strategy and the Ministry of Defence's Ten Year Equipment Plan 2012-22.

Supported by many government organisations and trade associations, DP RTE 2013 will allow the defence procurement marketplace to interact with areas such as technology, exports, procurement skills, innovation, research, business growth, and buyer and supplier engagement – all across a single platform. For existing and aspiring suppliers to the defence and security marketplace, DP RTE 2013 will provide the ideal occasion for driving business growth and exploring both domestic and international markets.

Over 1000 delegates will be attending DP RTE 2013, representing:

- Defence Agencies
- Central Government

For existing and aspiring suppliers to the defence marketplace, opportunity is key

At DP RTE 2013, the opportunity exists for businesses to present to more than 1000 decision makers, influencers and buyers from across the defence sector. DP RTE 2013 also offers suppliers and delegates the opportunity to network and engage in the many workshops and discussions taking place at the event. With industry attendees ranging from Prime Contractors to SMEs, as well as a wide representation from MOD Project Teams and academia, there are plenty of opportunities to engage, connect and harness vital intelligence on current and future market requirements.

To exhibit at DP RTE 2013, contact: exhibitions@dprte.co.uk



DP RTE 2013 will showcase innovative defence procurement for both buyers and suppliers

- Academic Institutions
- MOD Project Teams
- European Partners
- Prime Contractors
- 1st and 2nd Tier Sub-Contractors
- SMEs and Micro SMEs

DP RTE 2013 provides an opportunity for buyers and end users to experience the very latest innovative technologies and also gives them the chance to explore how they can apply these technologies in their own environment.

The DP RTE 2013 Showcase Exhibition will provide a platform for existing and aspiring suppliers to:

- Explore defence and security export markets
- Identify potential partners
- Promote their company's capabilities to over 1000 key decision makers
- Identify opportunities to transfer technology into emerging markets
- Cultivate existing and new business relationships with buyers spanning defence and other technology-driven markets
- Explore funding opportunities
- Engage with academia to understand the latest technology concepts

- Explore emerging international markets
- Understand the future requirements of the defence sector and shape R&D accordingly

Together with the Showcase Exhibition, the DP RTE 2013 Keynote Arena will be the centrepiece of the entire event, addressing the issues currently shaping the defence sector. The Keynote Arena is led by prominent industry experts and policy makers from across the defence procurement, R&D, technology transfer and emerging markets sectors. Speakers this year will include representatives from Defence Equipment and Support (DE&S); the Defence Infrastructure Organisation (DIO); the Defence Science and Technology Laboratory (Dstl); and UK Trade & Investment's Defence & Security Organisation (UKTI DSO).

DP RTE 2013 will take place at the UWE Bristol Exhibition and Conference Centre on 20 November.

Further Information

For further information, visit: www.dprte.co.uk

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20 November 2013

UWE Bristol Exhibition
and Conference Centre

THE UK'S LEADING DEFENCE EVENT, SUPPORTING INNOVATIVE PROCUREMENT, EXPORTABILITY AND DRIVING SECURITY THROUGH TECHNOLOGY

Keynote Arena

Programme

Agenda and timings may be subject to change

Morning

10.20	Chairman's Opening Address Grahame Steed , Managing Editor, <i>MOD Defence Contracts Bulletin</i>	11.30	Keynote Address 3 – Dstl does research into military technologies and a lot of other cool stuff too! Richard Brooks , Programme and Delivery Director, Dstl
10.30	Opening Keynote Address Steven Morgan , Director Commercial Operations, DE&S	12.00	Keynote Address 4 – Next Generation Estate Contracts (NGEC) Programme and Hestia Richard Blake , Defence Infrastructure Organisation
11.00	Keynote Address 2 – The Material Strategy Update Representative from Material Strategy Team, DE&S		

Additional Keynote Speakers will be announced shortly, please check website for latest programme information

Knowledge Transfer

Details on Zone 2 coming soon.

Zone 1 – UKTI, 3Business Growth & Exporting



- Military support for defence/security exports
- Regional marketing advice
- The home and overseas security market
- Export licensing
- Market analysis/intelligence/Financial support
- Selling to Prime Contractors and support in other sectors via UKTI's teams of regional International Trade Advisers

Zone 3 – Dstl – Research & Technology



- Cyber
- Centre for Innovations
- Defence Human Capability Science and Technology Centre (DHC STC)
- Enabling Contracts
- Ploughshare Innovations
- Maritime Collaboration Enterprise (MarCE)

Zone 4 – PASS – Procurement Excellence



- Impact of the forthcoming EU Public Procurement Directive
- Impact of recent legal challenges
- 'Toolbox approach' to procurement process
- The importance of transparency in procurement



Buyer Engagement

The DP RTE 2013 Buyer Engagement Village will provide attendees, both buyers and suppliers, with a unique opportunity to engage directly with a wide range of MOD project teams and prime contractors.

For a full list of participating buying organisations, please visit www.dprte.co.uk

Book online today www.dprte.co.uk

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Dstl: looking to build long-term relationships with suppliers

With over 1700 projects ongoing and increasing demand for analysis to aid government decision-making, the Defence Science and Technology Laboratory plays an important role within the UK defence research sector. MOD DCB spoke to Dstl's Programme and Delivery Director Richard Brooks about the recent changes within the organisation and the many opportunities for suppliers.

The UK's Defence Science and Technology Laboratory (Dstl) is in demand. This demand comes not just from Ministry of Defence customers but also from a number of other government departments who are increasingly approaching Dstl for its research and analytical skills. At the same time, Dstl is not exempt from the pressure the rest of the public sector is under to become more streamlined and more efficient. Dstl's Programme and Delivery Director Richard Brooks sees engagement with Dstl's suppliers and customers as key to meeting these challenges, and has set about creating a new structure within Dstl in order to increase this engagement.

Dstl's new structure incorporates Account Management, Programme Management and Operations Management to enable a clearer, more efficient delivery chain with a simpler customer and supplier interface. The organisation receives just over £600 million worth of revenue each year, with seven Account Managers now managing the various revenue streams. It is the role of the Account Managers to understand Dstl's customer base and to ensure that the work it does can meet customer needs now and in the future. When Dstl makes a decision about investing in a certain area of scientific research or developing a new facility or capability, it is important that the customer's voice is heard.

Account Managers also have a



Dstl supplier networking event

role to play with suppliers. If a customer wants to take its military requirement in a specific direction it is up to Dstl's Account Managers to assess what that means for science and technology and then apply that context to the supply base as well.

Richard said: *"The demand for what we do seems to continue to grow. We can't do everything so we need to know what will have the biggest impact and the Account Managers have the role of prioritising what work comes into the organisation, making sure we do the most important things."*

"Those seven people are steering the research and technology we need to develop within Dstl as well as the sixty per cent of our research work that goes out to our supplier base. They are quite important people to engage with."

This new structure gives

suppliers clearer routes into Dstl and its research programme. It means Dstl can facilitate its work programme better as it is a more efficient way of doing business and delivering customer requirements. Decisions on which areas Dstl should operate in are made through this process as well as through regular meetings with customers.

The supplier base is important to Dstl: sixty per cent of its research work is delivered through external suppliers.

Richard commented: *"I guess at the heart of the change I've put together here is a drive to make it easier for suppliers to work with us. The aim is to try and build longer-term relationships so that our suppliers can understand what sort of themes we want to study over the next five to ten years, and then they can invest in those areas as well. The*

changes we are making are about trying to improve relationships with both our customers and our suppliers."

Dstl's supplier base is varied, ranging from micro SMEs right up to multinational companies. Dstl is also trying to reach out to academia and suppliers who may not have thought of defence research and technology as a relevant market.

Suppliers are keen to contract with Dstl and the organisation is acting to ensure they can contract effectively. Dstl recently made changes to make sure that all contracting is centralised within the organisation to make it easier for suppliers to contract through one route.

What should suppliers do to benefit from the new structure?

Richard advised: *"I think where most suppliers want to look is beyond the current contract; it's about understanding the themes over the next few years. We've also put in a series of Programme Managers who will be managing those long-term themes so suppliers will be able to look at what we might want to get out of contracts in two or three years' time. It's important for our suppliers to start talking to these Programme Managers about what direction is the future and make their own investments align with that."*

Dstl holds an annual networking day for both current and potential suppliers keen to find out more about the research programme and opportunities to get involved. The last event saw over 400 people attend from around 300 different organisations ranging from SMEs and academia to large suppliers.

Richard explained: *"We try to lay out some of the themes that we're looking for in our programmes – the type of contracts we're likely to be placing in the next year. It allows people to engage with those contracts, either as a prime contractor or a sub-contractor. We're trying to be very transparent, within the limits of security, about the things we are interested in as it allows companies to understand where they need to invest if they want to work*

with us, rather than having to guess. We are not going to be able to create partnerships with our suppliers if we're not open about what we want from that partnership."

Dstl will also be at the Defence & Security Equipment International (DSEI) and Defence Procurement Research, Technology & Exportability (DPRTE) showcase events this autumn. At DSEI, Dstl will be supporting UKTI on stand N6-290 and Dstl will lead a panel discussion on whether investment in science and technology has a role to play in economic growth.

There is a lot of potential for suppliers within these events, with the emphasis on building long-term relationships. Richard said: *"Our challenge with getting smaller as an organisation but having more*

we're trying to understand at the moment is the belief that science and technology leads to innovation, which leads to prosperity, which leads to exports – in the defence world I'm not sure we've really thoroughly explored this."

"Say we invest in science and technology; is there something that's preventing it moving into the growth area? Is there something preventing it from making money for the country and getting into the export arena? So one of the themes that we're trying to look at in our programme is defence exports and the spin-off from that."

To promote spin-off, Ploughshare Innovations manages the commercial licensing to industry of Intellectual Property developed by Dstl. Ploughshare connects with

"The aim is to try and build longer-term relationships so that our suppliers can understand what sort of themes we want to study over the next five to ten years"

– Richard Brooks, Programme and Delivery Director, Dstl

demand on us is that we have to rely more on our supplier base. At the moment sixty per cent of the research revenue we get is spent with suppliers and we're looking for that proportion to continue going up over the years."

"I think if we want to achieve that we have to be confident we have the suppliers who want to stay in these businesses in the long term. We need to have these capabilities for years and decades, so we want to work with people to build up these long-term relationships."

DSEI and DPRTE will see Dstl ally with UK Trade & Investment (UKTI) to look at innovation, with UKTI supporting the export side and Dstl supporting the science and technology side, and how these come together.

The prospect of Dstl engaging with UKTI is an interesting one. Richard commented: *"Something*

people who want to develop Dstl's defence and security innovations into products that can then be successful in the commercial market."

Richard has identified this as an area where Dstl can do more. He concluded: *"There's a lot of Intellectual Property that we invest in on the defence side that can spin off elsewhere. I'm quite keen that we work harder to make it easier for companies who want to invest in that, to grow that and get exports from that."*

Further Information

Dstl is keen to engage with a wide variety of suppliers. For more information about Dstl's work and the opportunities to get involved, visit: stand N6-290 at DSEI or www.dstl.gov.uk, www.dprte.co.uk & www.dsei.co.uk

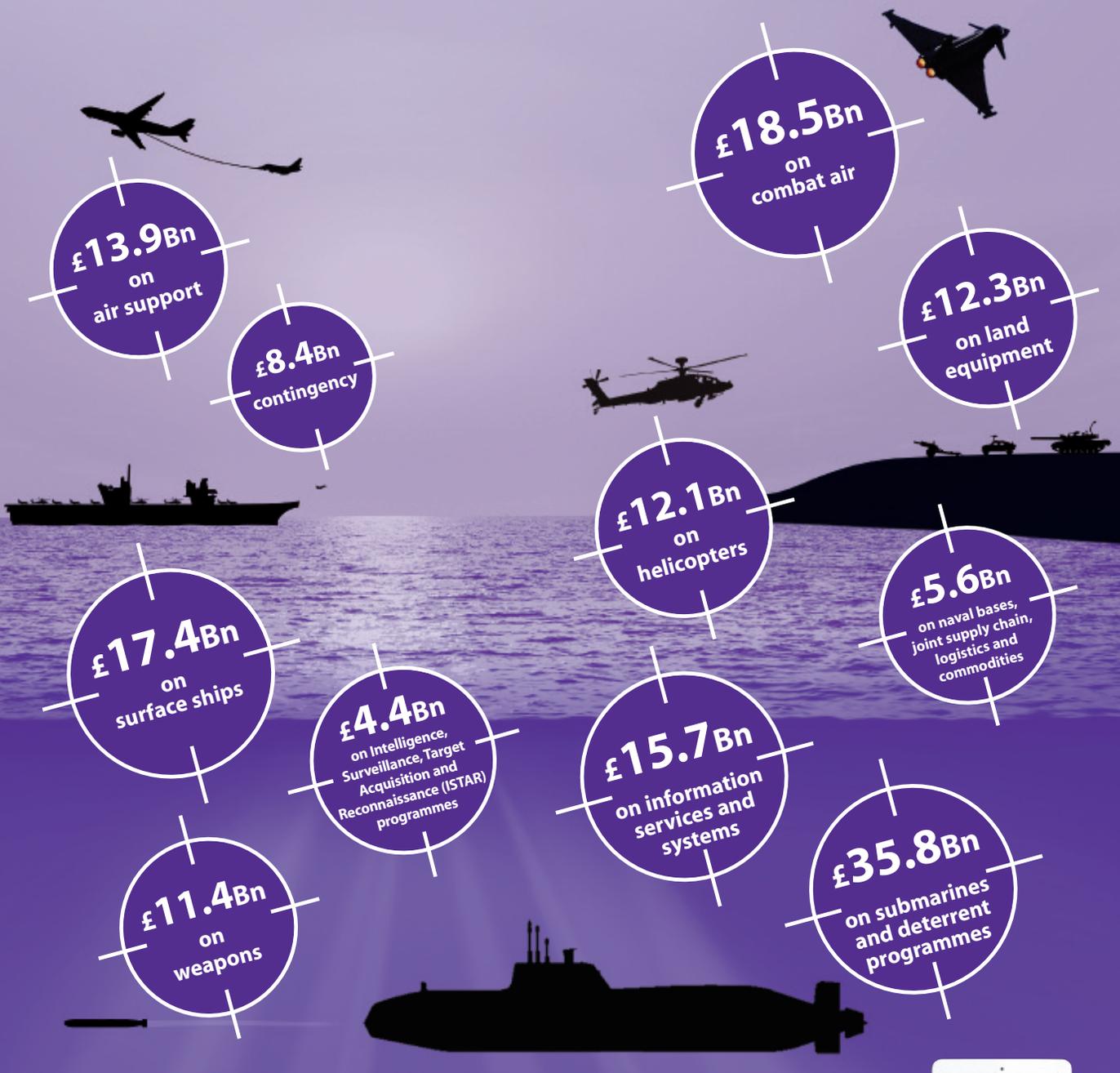


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*Covering spend plan from 2012-2022

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