

Defence Industrial Strategy

A presentation by
Lord Drayson, Minister for Defence Procurement

At the DEC (ISTAR) industry day hosted by the Defence Manufacturers Association on 23rd February 2006

Aim of DIS

- To maximise the future battle-winning capability of the UK's armed forces
- To meet the challenge of globalisation and dominance of a largely closed US market through the application of a long term industrial strategy
- To give a long-term strategic framework, based on an analysis of the UK's defence interests and clear prioritisation of particular capabilities
- To provide industry with better clarity over our future equipment needs and priorities

Success of DIS – so far...

- Rt Hon Liam Fox MP, Shadow Defence Secretary, in response to the announcement on DIS - "We welcome the new tone of partnership between Government and industry"
- Defence Industries Council - "The publication of Defence Industrial Strategy (today) is an important development in the long-term relationship between Government, industry and the armed forces"
- The Economist: "a new white paper on procurement that throws out 20 years of industry bashing"
- City analysts at UBS quoted as saying that the DIS was "very supportive of UK Defence industry"
- Thank you for your efforts in delivering the DIS - we now need to build on the momentum created

DIS is for the whole Defence industry

- Any strategy that name-checked **every** company involved would not have been manageable or meaningful
- Government needs to make a combined effort to identify SMEs and their capabilities and improve means of engagement with them
- The Strategy is for **everyone** in the industry throughout the supply chain

How does the DIS affect SMEs?

- The DIS gives a framework against which the defence industry as a whole will be able to make rational investment decisions for the future
- I am committed to making the MOD easier for small companies to do business with
- Change in focus for MOD from “key suppliers” to “key supply chains”

Management of the supply chain

- DIS analysis highlighted need to gain a greater understanding of the supply chain
- Need to ensure that companies in the chain that add most value receive the appropriate rewards
- We expect SMEs and primes to work together to manage the whole military capability supplied to the MOD

Innovation in the supply chain

- There is a need for the MOD and industry to:
- develop a greater understanding of where innovation lies within the supply chain
- develop mechanisms to stimulate and exploit innovation within the lower tiers
- pull through leading edge technology to deliver military capability

What changes are required?

INDUSTRY

- More profitable
- Leaner
- More efficient
- More productive
- Appropriately scaled

MOD

- Partnering and relations with industry through life
- Delivery of integrated solutions
- Agility & flexibility in projects
- Consistency in our approach
- Project Delivery skills

BOTH

- Align Objectives

What is the MOD going to be doing now?

- Driving forward the sectors
- Transforming culture and behaviours
- Examining where process and structural change may be required

What should industry as a whole be doing now?

- Responding to the DIS- this affects the whole supply chain
- Considering your strategic response to the DIS(both at the company and sector level)
- Committing to the real changes in your business, behaviour and cultures required to make this work
- The winners for this process will be those that embrace new ways of doing business and transform their companies to meet the challenges of the 21st Century

What should SMEs be doing now?

- Being proactive
- Commercial Services Group - Defence Suppliers Day
- Talking to Trade Associations
- Relationship with MOD is two way process - think what information we might need but may not have

The way ahead

- 2006 will be a year of transformation - MOD and industry will be expected to deliver on this
- We are looking to see which companies respond positively to the challenge now- throughout the whole defence industry
- Progress will be overseen by the joint Government / Industry forum, the National Defence Industries Council

What will success look like?

- The right kit at the right price for the Armed Forces
- A valued premium on **UK** defence companies and high skill, worthwhile jobs
- The Government demonstrating the DIS in action in the procurement decisions it takes
- The **only** way of achieving this is by working together- and doing it now