MINISTRY OF DEFENCE

Equipment, Support, and Technology for UK Defence and Security: A Consultation Paper

A Summary of the Consultation Responses

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by the Secretary of State for Defence
By Command of Her Majesty

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Introduction

1. On 20 December 2010, the Government published a Green Paper: 'Equipment, Support, and Technology for UK Defence and Security: A Consultation Paper' (Cm 7989). This document summarises the responses received during the subsequent public consultation.

Consultation methodology

2. The Green Paper sought views and opinions from interested parties on the Government's approach to:

    - acquiring the equipment and necessary technologies for our Armed Forces and national security agencies; and
    - supporting this equipment and its users.

    It posed general questions covering ten major topics, generally accompanied by supplementary questions looking at specific issues[1].

3. The formal consultation period ran for 12 weeks, between 5 January 2011 and 31 March 2011. A number of different means were used to facilitate the consultation. These included ascertaining views of interested parties through the Defence Consultations website; a free public consultation conference held in London; and regional and company visits made by Ministers and officials.

Responses received

4. Over 180 formal responses to the Green Paper were received from a wide range of interested parties: members of the public, UK and foreign companies – including small- and medium-sized enterprises (SMEs), trade associations and other lobby groups, academia, public bodies, the devolved administrations, and foreign governments.

5. As might be expected, the largest grouping amongst those responding was associated in some way with the supply of defence and security products and services.

Defence Consultations Website

6. The Defence Consultations website [2] hosted the Green Paper and allowed responders to make direct comments against the individual questions posed. The website received almost 10,000 hits and the full Green Paper was viewed over 1,700 times. Thirty-seven individuals provided just over 220 separate comments.

Email and postal submissions

7. More than 140 responses to the Green Paper were received in either soft or hard copy[3]. Many of the responses gave substantive and detailed answers to all of the questions posed by the Green Paper. Other responses were more tightly focused, addressing specific topics, or were pitched at the broadest strategic level.

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1 In total, there were 86 questions.

2 www.defenceconsultations.org.uk .

3 A dedicated e-mail account was established to receive comments to the consultation.

Events

8. The Ministry of Defence (MOD) and the Home Office hosted a free public conference to discuss the themes of the Green Paper at the Royal Institution of Great Britain on 9 March 2011. This event was publicised on the Defence Consultations website and invitations were also given to stakeholders from industry, trade associations, academia, and foreign governments, as well as members of the general public who had already shown an interest in the consultation.

9. The conference was attended by over 220 delegates and allowed a wide range of stakeholders to discuss their views with Ministers and officials from the MOD, Home Office, and the Department for Business, Innovation and Skills.

10. Other supporting events during the consultation period included:

- a Conference and Showcase for the Centre for Defence Enterprise (CDE) held on 13 January 2011 in Central London, which was well attended; and
- an Experts Workshop on Defence Economics, hosted by MOD's DASA-DESA[4], held in London on 14 March 2011.

Visits

11. The Minister for Defence Equipment, Support, and Technology held meetings in North-West England, Wales, and Scotland to discuss local and regional perspectives on the Green Paper issues. The attendees included representatives from companies and trade associations, as well as the devolved administrations.

General business

12. Discussions about the Green Paper also took place as part of other engagement with interested parties in the normal course of Government business.

Summary of Responses

13. A summary of the key themes that emerged from the public consultation is set out below. It is based on the written responses received, as well as comments captured from discussions held during consultation events.

14. Whilst the majority of respondents agreed with the general aims of the Green Paper, a number did not, particularly in relation to the promotion of defence and security exports.

Core Policy

15. The Green Paper proposed three key principles that should underpin the Government's approach to equipment, support, and technology for UK defence and security. Few responders actively engaged with the key principles or sought to recast them, as responses tended to focus on the impact of open competition. Some sought a clearer definition of how the Government would measure value-for-money or suggested taking a broader approach to it.

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4 Defence Analytical Services and Advice - Directorate of Economic Statistics and Advice.

16. UK-based suppliers expressed concern that the preferred position of buying equipment and support off-the-shelf would lead to a decline in the UK industrial base, because it is thought that this would provide an advantage to overseas suppliers. In contrast, overseas suppliers, particularly those based in the US, thought the approach would ensure the Armed Forces and national security agencies had the capabilities they required at an affordable cost.

17. No respondent questioned the important role of competition in fulfilling the UK's defence and security requirements. However, some asserted that open competition had intrinsic limitations within the defence and security sectors, because many Governments place some form of restriction on their domestic defence and security markets.

National Security

18. The proposed new approach to the UK's sovereignty requirements – based around seeking to protect operational advantage and freedom of action – was largely welcomed, although many respondents sought greater clarity on how it would be applied. Others suggested that the Government should publish a list of capabilities that would be protected onshore.

19. Many responses linked the UK's national security with the maintenance of a viable UK defence industrial base, which possessed relevant skills, knowledge, and facilities. This was connected to concerns over accessing intellectual property and ensuring adequate security of supply when purchasing capabilities from foreign-based suppliers.

20. A large number of responses suggested that one or more capabilities should be designated as critical and maintained onshore in the UK. These generally came from suppliers and tended to be associated with the sector in which the proposing company operated. There was, however, more of a consensus over the need to protect the specific capabilities given as examples in the Green Paper – high-grade cryptography, electronic warfare, and systems related to the nuclear deterrent (see also paragraph 22).

21. A significant theme in the consultation responses concerned the important role that systems engineering and underpinning general engineering skills played in transforming systems into a coherent military capability for the UK Armed Forces. Respondents argued that maintaining these skills in the UK and taking advantage of modular systems and open architectures would be important in maintaining a military advantage and ensuring value-for-money, particularly when purchasing commercial off-the-shelf systems.

Key Capabilities and Skills

22. Many individual responses suggested different capabilities and skills were at risk of being lost, but there was no consensus view. The most common suggestions related to UK-based skills associated with the design and modification of platforms in the fixed-wing aircraft sector; and to skills associated with cryptography.

Working with other countries

23. A number of the respondents stressed the importance of the UK being able to bring 'something to the table' in collaborative projects and that this enabled companies to leverage spending from a larger pool. Working with a small number of international partners was seen as more straightforward and beneficial than involvement in larger multinational programmes.

24. Respondents also suggested that early and strong Government-industry engagement was significant in ensuring that the UK got the best from working with other countries. UK-based companies stressed the importance of a fair work-share when involved in collaborative projects with other countries.

25. Some respondents suggested that the UK could benefit from leveraging other countries' defence spending, particularly by the US, to generate UK military effect that provided better value-for-money for the UK taxpayer.

Science and Technology

26. One of the most common themes amongst the responses to the Green Paper, and in discussions during the consultation period, was that the Government should increase investment in Science and Technology (S&T). Responses argued that the uncertainty over future threats meant there would be a continuing need for the UK Government to invest in S&T, to ensure the UK had the defence and security capabilities it required and maintained a military advantage over its adversaries.

27. Responses suggested that such funding needed to be balanced between meeting short-term operational threats, addressing longer-term capability gaps, and assisting in innovation breakthroughs. Industry responders stressed the need for greater speed in identifying emerging threats and sought a closer working partnership with Government when working to address these issues.

28. There were many calls for long-term transparency of S&T priorities and requirements, to allow industry to take timely investment decisions with confidence. It was suggested that industry is reluctant to invest in longer-term research if it cannot identify a commercial route to market or if there is a high risk of programme change/cancellation. Respondents argued that greater transparency would also lead to more effective technology pull-through.

29. Responses highlighted the important role S&T plays in ensuring the Government remains an intelligent customer. It was suggested that this should be achieved by using industry and, where necessary, appropriate in-house technical staff.

30. There was strong support for the Centre of Defence Enterprise (CDE) model. Some responses suggested that its small size was central to its success and feared that its growth could potentially dilute its effectiveness. Many respondents argued that a similar arrangement is needed to facilitate exploitation of more mature technologies.

Defence and Security Exports

31. A significant number of responses commented on the Government's role in supporting defence and security exports, with specific comments linked to different phases of a product's lifecycle. Some respondents argued that, for ethical and other reasons, the Government should not promote defence and security exports.

32. An overall theme amongst responses from companies was the importance of having a platform/system in service with the UK Armed Forces when trying to secure export orders. It was emphasised that the reputation of the UK Armed Forces gives the equipment they use greater credibility. It is seen as an important benchmark by overseas buyers. Many responses suggested that a focus on off-the-shelf procurement would become an obstacle to increasing UK defence and security exports in the future.

Science and Technology (S&T)

33. Industry responses highlighted the important role that Government and industry private venture investment played in export successes. It was suggested that today's successful products are largely a result of historical S&T investment, some 10/20 years previously. There was a concern in the responses that reduced Government S&T spending and a focus on purchasing equipment off-the-shelf would have a detrimental impact on the UK's future export prospects.

Requirement Setting

34. Many industry responses argued that the opportunities for future export success could be enhanced by early consideration of export potential in the MOD's requirement-setting processes. This could be enabled by greater use of modularity and open systems. A small number of responders suggested that UK-based suppliers should concentrate on the export of high-technology sub-systems, rather than whole systems and platforms.

Whole of Government support

35. The value of Government support, headed by UK Trade and Investment (UKTI) and with relevant cross-Government involvement, was highlighted as central to export success. There was concern that major competitors overseas were better able to offer a complete and affordable package, particularly when accessing Armed Forces training, facilities, and assets. Industry responses emphasised the need to ensure the export licensing process is as efficient as possible.

Relationship with Industry

Transparency and Stability

36. Industry responses stressed the need for transparency in the MOD's forward equipment programme to enable them to make medium- to long-term investment decisions. Responders were keen to emphasise that transparency must be coupled with stability, as uncertainty in the programme had serious consequences for industry, particularly SMEs. It was argued that MOD procurement tended to veer from 'Feast to Famine', which could have a significant impact on supply chains and the competitive viability of certain companies.

37. Many responses suggested that the use of more detailed sector-based strategies was helpful to industry. Others were less supportive, suggesting that sector strategies were simplistic and consequently difficult to implement effectively.

Long-Term Partnering Agreements

38. Many of the respondents pointed to the important role that long-term partnering arrangements played in delivering defence capability, rationalisation of the industrial base, and value-for-money for the UK taxpayer. These arrangements also provided long-term certainty to industry and confidence around their private venture investments.

39. On the other hand, some respondents argued that long-term partnering arrangements and associated contractual relationships prevented competition and therefore did not deliver value-for-money or the most effective capabilities.

Small and Medium-Sized Enterprises (SMEs)

40. There was general recognition of the importance of SMEs, their wide-ranging contribution, and the innovation they bring to both the defence and security domains. Responses on this topic were largely linked to the MOD's acquisition processes; SMEs' relationship with Prime Contractors; and their relationship with the MOD.

MOD acquisition processes

41. A recurring theme in the responses was the difficulties SMEs faced in engaging with the MOD's acquisition processes and the need to ensure a 'level playing field'. Only a few responses sought any form of preferential treatment or assignment of work by quota. Many SMEs indicated that significant resources and expertise were required to work through MOD processes – resources SMEs often did not have. Responses suggested making processes simple and consistent across Government; increasing the transparency of MOD contract opportunities; speeding up decision-making; a greater willingness to engage 'untested' suppliers; and improvements to framework agreements would all provide SMEs more opportunities.

42. Many responses argued strongly that SMEs added greatest value at the requirement setting stage, where they could offer innovative options. However, some believed SMEs were excluded from this process. Some consultation replies also argued that the current processes tended to lead to the development of requirements that favoured whole-systems responses, which can only be provided by a handful of the larger suppliers.

43. Micro-contracts and Government support for establishing consortia were also suggested as a way forward to increase SME participation in defence contracts.

Relationship with Prime Contractors

44. Many respondents commented on MOD's increasing use of large prime contracts and concluded that relationship with Prime Contractors were critical for SMEs seeking to offer products and services as part of larger defence and security contracts. There was a concern that purchasing major systems from overseas suppliers would have a detrimental impact on UK supplier networks, as overseas primes usually had established supply chains to support their products, often centred on their home country.

45. SMEs argued for greater transparency of sub-contract opportunities from primes and a mentoring network was suggested to improve SMEs access to work. Concerns were expressed about primes' treatment of SMEs, including 'lock-out', vertical integration, respect for intellectual property, fairness of sub-contract terms, and payment arrangements.

Access and Culture

46. Some responses suggested that larger companies had a much better understanding of how the MOD operates and their personnel were often closely associated with the department in the course of their day-to-day business. A number of responses suggested that SMEs' lack of day-to-day access to key MOD personnel, including Ministers and senior officials, as well as a poor understanding of MOD policies and practices, adversely affected their ability to access MOD opportunities. Others believed that, as a result of other changes, MOD was losing skilled staff with the ability to recognise the benefits of innovative proposals which SMEs could offer or to evaluate properly the relative risks posed by using SMEs.

Wider Economic Factors

47. Most returns acknowledged that getting the right capabilities, at the right time, at the right cost must be central to the Government's equipment, support, and technology decisions. However, many of the responses expressed a desire to see wider economic factors taken into account when making acquisition decisions, including closer alignment to the Government's wider growth policy.

48. The majority of responses linked the retention of key skills and capabilities to ensuring continued funding for key programmes and sectors. Other suggestions linked the maintenance of a UK skill base to tax incentives and wider Government investment in Science, Technology, Engineering and Mathematics (STEM) subjects.

Defence Support

49. Industry responses overwhelmingly argued that they could play a greater role in providing defence support across all lines of development. This could be achieved in a number of ways including greater use of contracting for availability, increasing the use of sponsored reserves, and through the development of integrated bases.

Security and Cyberspace

50. Overall, there were fewer responses to the questions set out in the security and cyberspace sections of the Green Paper. A general theme of these responses was to seek closer Government and industry partnership.

51. There was strong support for greater coherence in the security domain: in particular in procurement (including greater centralisation), regulation, standardisation, integration, and systems engineering. It was suggested that greater coherence could deliver multiple benefits, including smarter and/or collaborative procurements, efficiencies in the marketplace, and reduced costs of sale.

52. There was broad support for creating a UK Security Brand, which industry responses suggested would promote exports. There was a mixed response to the idea of developing UK standards, with no consensus emerging.

53. Most responses agreed that the Government had identified the key industry-related challenges for cyber-security. The main theme from the response was the need for close Government-industry partnership, which would enable challenges to be quickly identified and addressed.

White Paper

54. All the responses were carefully considered and the views expressed have contributed to shaping the policy set out in the White Paper: 'National Security through Technology: Technology, Equipment, and Support for UK Defence and Security' (Cm8278), which is being published in parallel to this consultation summary.

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