



MOD: the times are changing

In light of the findings of the recent Strategic Defence and Security Review, it is clear that the MOD must make significant changes to how it conducts its commercial business. With a new Defence, Security, Industrial and Technology Policy Green Paper due in late 2010, MOD DCB looks at some of the work currently under way to help achieve the future vision for UK defence.

The Strategic Defence and Security Review (SDSR), announced by Prime Minister David Cameron on 19 October 2010, set out the new landscape for UK defence, detailing the capabilities the UK Armed Forces require now and in the future. As a consequence of this, and of the wider Government Spending Review announced by Chancellor George Osborne on 20 October 2010, changes are required to a number of the MOD's equipment and support programmes.

Prior to the publication of the SDSR, the MOD held a series of sessions with key suppliers inviting them to offer innovative and cost-effective solutions to current and future defence requirements. MOD officials engaged with a number of companies, including the Department's top ten suppliers, and received more than 100 proposals which could potentially yield significant savings. All of the proposals require further detailed work on their legal, financial and commercial aspects.

Following the announcement of the SDSR, which has introduced a number of significant changes to the UK's future capability plans, the MOD is now engaging in commercial re-negotiations with its wider supplier base to meet these new challenges.

As Andrew Manley, Director General Defence Commercial (DGDC), announced at a conference at the start of November 2010, the MOD has identified around 600-900 contracts that are likely to be re-negotiated in this phase of work in line with Government objectives. However, at the time of going to press *MOD DCB* is unable to provide detail on the precise contracts and the potential impact of these re-negotiations on defence and

associated industries. DGDC is leading the re-negotiations with defence companies where contract cancellation or changes to contract terms are now required. Key aspects of this work will include delivering to the fullest extent possible the savings assumed for the SDSR equipment capability options and ensuring accurate establishing of the liabilities faced where contract cancellation or amendment is required.

“MOD officials engaged with a number of companies, including the Department's top ten suppliers, and received more than 100 proposals which could potentially yield significant savings”

A high-level Re-negotiation Steering Group chaired by DGDC will oversee the re-negotiation process. The Steering Group will task lead negotiators and negotiating teams to engage with specific defence companies to deliver the savings and contract changes which are expected to result from the SDSR measures. Minister for Defence Equipment, Support and Technology Peter Luff has approved the temporary use of

external support (legal, financial, commercial and programme management) to assist re-negotiation activities, and internal resources are being found to augment DGDC's area to manage the increased workload. The first tranche of re-negotiation activity is expected to continue until April 2011.

In parallel, the MOD will also be re-negotiating a number of its PFI contracts. The Department has initiated a pilot phase to explore savings on three PFI projects (Corsham Development, Main Building Redevelopment and Defence Sixth Form College) and will be engaging with industry shortly on these, before engaging more broadly on the remainder of its portfolio of 45 signed PFI projects.

Separate from the SDSR, the MOD is participating fully in the Cabinet Office-led central government contract re-negotiation activity which has so far seen over 50 strategic suppliers approached for savings. The agreed opportunities are being captured in Memoranda Of Understanding. Individual departmental and supplier delivery will be monitored by the Efficiency and Reform Group at the Cabinet Office. The MOD is providing the lead negotiator for Carillion, Interserve and Babcock.

In addition to any re-negotiation of contracts directly linked to the Government's initiative being centrally co-ordinated by DGDC, Defence Estates (DE) will seek improvements and efficiencies in how the MOD estate is managed.

DE is leading on two SDSR workstreams. 6.1 will consider better utilisation of the defence estate through rationalisation and development of the future estate, and 6.2 will develop a Defence Infrastructure to include both management of the estate and provision of estate services by establishing a single delivery organisation.

Next Generation Estate Contracts (NGECs) delivering a replacement suite of contracts will be awarded following competitive tendering in order to provide the most economically advantageous contract terms and

conditions. However, to align existing contracts to the NGEC programme negotiation of contract end-dates may be required.

With a new Defence Green Paper due in late 2010, spring 2011 will see the formal launch of a new Defence, Security, Industrial and Technology Policy, which will have a significant effect on what – and how – the MOD procures in the years to come.

Commenting on the new policy, Mr Luff said: "Alongside the SDSR, we recognise the need for a more measured, strategic consideration of MOD's industrial and technology needs, together with industry's contribution to broader economic competitiveness.

"There will then be a formal public consultation in the New Year to give everyone who has an interest a chance to contribute. The result will be published in a White Paper in spring 2011 that will formalise our defence industrial and technology policy for the five years until the next Strategic Review."

The Ministry of Defence is currently facing a raft of policy changes across the organisation. However, while challenging times undoubtedly lie ahead, 2011 will bring greater clarity and a clearer vision to the UK defence marketplace.

Further information

For further information on, please visit:

Web: www.mod.uk

XMPP Secure Instant Messaging

Isode's M-Link XMPP Server is the best choice for realtime messaging, multi-user chat and presence applications in Military, Government and Intelligence environments.

- Based on the Open Standard XMPP protocol.
- Security Label support.
- Integration with EAL4 high assurance guards.
- Peering controls for boundary checks on inbound & outbound traffic.
- Operation on networks with constrained capacity.
- Strong Authentication based on X.509 PKI for client/server and server/server connections.

Go to www.isode.com for more information and evaluation software.



isode
Messaging & Directory Servers