

Press Release

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For immediate release

Change in defence procurement set to benefit SME suppliers

DEFENCE sector SMEs are set to benefit from fresh opportunities to target the MoD, according to industry experts at Bath-based firm, Target Corporate Finance.

Jim Shaw, Senior Manager at Target says that annual £1.5 billion reduction in the defence budget over the next five years could see a major shake-up of defence procurement strategy.

“The MoD says its main focus will be on trimming civilian budgets, which is likely prompt a sea-change in the way that it does business, with the government outsourcing many of its functions to the private sector,” Jim explains.

“So, despite the gloomy prognosis for public sector spending, the fiscal crunch may create opportunities for SMEs that are agile enough to assist a more streamlined civilian MoD function in supporting frontline troops, as the defence industry evolves over the coming decade.

“Smaller private companies involved in product design, tactical consultancy and military training, are most likely to benefit. This review period is, therefore, an ideal time for them to be actively engaging with the MoD to identify opportunities to make a stretched budget go further,” he adds.

Jim points out that although a change in procurement strategy could create more opportunities for SMEs, it is likely to hit the industry’s biggest suppliers.

“At a time when defence analysts perceive British forces to be overstretched and under resourced, the spending cuts will have incensed, if not surprised, many,” he said.

“A large proportion of the required cuts are due to the current economic situation; however, the treasury is also seeking to recoup some of the many billions that have been spent through urgent operational requirements (UoRs) in Afghanistan and Iraq.

“At the centre of the debate are the Royal Navy's plans for two giant aircraft carriers, new armoured vehicles for the Army and the at sea nuclear deterrent.



“All are under pressure and the aircraft carriers are likely to be postponed by up to two years in an attempt to delay the payment of some £4 billion,” Jim explains.

“It is therefore, likely that the big names of the UK defence industry, such as the UK’s biggest supplier BAE Systems, will bear the brunt of the cuts.”

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Target Corporate Finance

Target Corporate Finance is an award-winning team, with a strong track record of advising vendors and purchasers on a wide range of corporate transactions, including mergers, acquisitions, disposals and management buy-outs.

Target has successfully completed many high profile transactions, with a combined annual value of more than £180 million in recent years. The team is recognised nationally for its work and recently won the title of Advisory Team of the Year at the South West Deal Awards.

Target Corporate Finance is part of Target Chartered Accountants – a top 40* accountancy firm, with 180 staff across offices in Bath, London, Reading, and the Midlands. As an owner-managed business, Target has a strong understanding of entrepreneurs and strategic business issues, combined with the high level expertise and service usually associated with multi-national firms.

(*source: Accountancy magazine 2010)

