



E u r o p e a n D e f e n c e A g e n c y

EDA Bulletin

Issue 2, July 2006

A WORD FROM NICK WITNEY, THE CHIEF EXECUTIVE

Meeting the Challenge

I predicted at the end of last year that we were in for a “tough but rewarding 2006”. Not perhaps very insightful but, so far, certainly accurate. Three major pieces of work have dominated, starting with preparations for the Code of Conduct on Defence Procurement “going live” on 1 July. The creation of a real European Defence Equipment Market (for the first time in history, as



Javier Solana, Head of the EDA, seen visiting an EU humanitarian operation in the Democratic Republic of Congo, says improved capabilities are needed for Europe to assume its global responsibilities

© ECPAD/France

CODE OF CONDUCT LAUNCHED

The new European Defence Equipment Market came into being on 1 July with the launch of the Code of Conduct on defence procurement.

The voluntary regime is a major step forward for European defence, introducing systematic competition to the market for the first time ever.

See Page 7

we modestly note!) certainly fits the description of “rewarding”.

So, too, does our initial work with many partners on the Long Term Vision – our attempt to identify the future for which ESDP practitioners must prepare. Both these subjects are covered in full elsewhere in this Bulletin.

But perhaps the single most important axis of EDA effort during the semester has been the “Hampton

Court agenda” – the challenge from the European Council to make real progress on capabilities and defence Research & Technology during the Austrian Presidency. That has been the tough bit.

On defence capabilities, work on command, control and communication has produced some highly promising initiatives but there is little to show yet for our efforts on strategic lift or air-to-air refuelling. That is hardly surprising: the invest-

Continued on page 2

ments that will be required if European leaders are serious about filling the major shortfalls against Headline Goal 2010 require big money – the sort of money that becomes available in a defence budget only by making some tough decisions on priorities.

Indeed, that is why Javier Solana has placed such emphasis on the R&T aspects of Hampton Court. With the U.S. outspending Europe on R&D by a ratio of 6 to 1, everyone agrees that “something must be done”. We have had two good discussions among Defence Ministers in our Steering Board, as well as a fruitful conference on the theme. There is now a strong consensus that we must spend more on defence R&T, spend it better and spend more of it together. Ministers

have agreed that current investment levels (about €2.3 billion a year, less than 1.3% of total European defence spending) are simply inadequate to preserve globally competitive industries and defence technologies in Europe.

Our parallel attempts to help Member States to translate this analysis into joint action have been rather more difficult. European leaders at Hampton Court called for a major new effort to agree collaborative R&T projects, an effort which has borne little fruit so far. It seems that, unless under immediate operational pressure, we struggle in the defence R&T world to match the speed with which, in the civil world, strategic decisions are now translated into action and innovation is exploited into products.

This underlines the importance of finding a new approach to collaborative defence R&T, and of complementing the traditional project-by-project approach with joint investment programmes, backed by a substantial budget. The idea is that contributing to such programmes should be optional, with those member states who do controlling the funds jointly. The Member States have worked hard with us on the content of a good pilot programme on protection of deployed forces and the modalities for running it, including the introduction for the first

time of a degree of competition into European R&T collaborations. Such competition is essential if we are to exploit properly the full potential of the expanded Union.

The work has a distance still to go, but there are encouraging signs that the pilot will get under way next year with a reasonable majority of our Member States taking part.

Finally, it is worth noting that behind these headline projects the Agency – barely eighteen months old – continues to develop a coherent and comprehensible approach to our very broad agenda. Every day we learn more about what works and what does not, how to exploit the synergies between our different activities, and how our new enterprise can best add value.

So it is good that we must now, over the next few months, work with the Member States to settle a medium-term plan for the Agency: priorities for the next three years and the financial framework to support them. We are, after all, the Member States’ Agency – we can do only what they want us to do, and support us in doing. I hope we have done enough already to persuade them that the common enterprise is worth increased investment of their efforts and increased commitment, and can set its sights at an ambitious level. ■



Every day we learn more about what works and what does not

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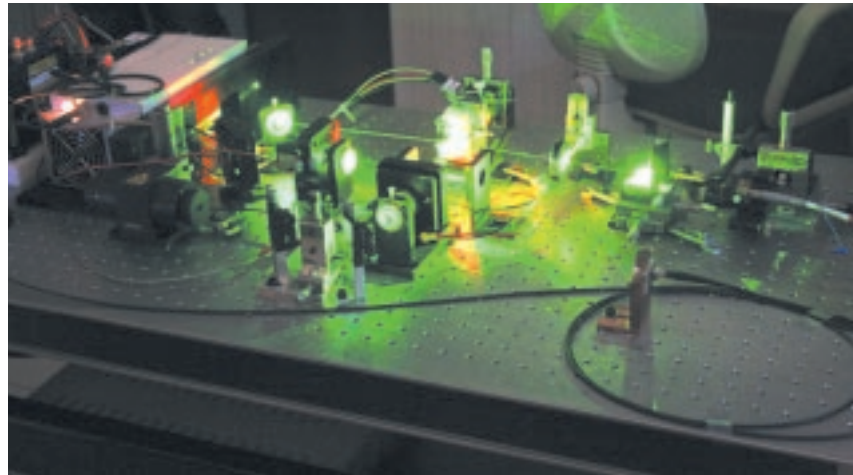
DEFENCE R&T

Facing the Facts

Bertrand de Cordoue, R&T director, says more is needed

The European Defence R&T community existed well before the EDA and made many efforts to collaborate. But the creation of the Agency put the topic within the EU's political and institutional framework to try to provide a step change, both to make joint R&T more focused on common military capacities needs and to introduce more efficient collaboration mechanisms.

EU leaders reiterated their political determination for more effort and more collaboration at their Hampton Court summit at the end of last year and this has driven the Agency's work in 2006. The US outspends Europe by 6 to 1 in defence R&D. Data collected by the Agency and shown in the accompany graphs revealed that just 1.25% of €180 billion total defence expenditure in Europe goes to R&T and about 90% of it is spent on national, not cooperative, programmes.



Work on Fluorescence Applied to Biological Agents Detection (FABIOLA) at the Warsaw Institute of Optoelectronics. FABIOLA is an EDA R&T project involving France, Finland, Greece, Italy, Poland and Sweden.

who agreed that something new was required, with the Agency playing a central role. The President of the Aerospace and Defence Industries Association of Europe, Dr Thomas Enders, spoke of the need for a "paradigm shift".



We need new funding mechanisms for collaborative R&T projects

Javier Solana, the Head of the Agency, said Europe needed to spend more, spend better and spend more together.

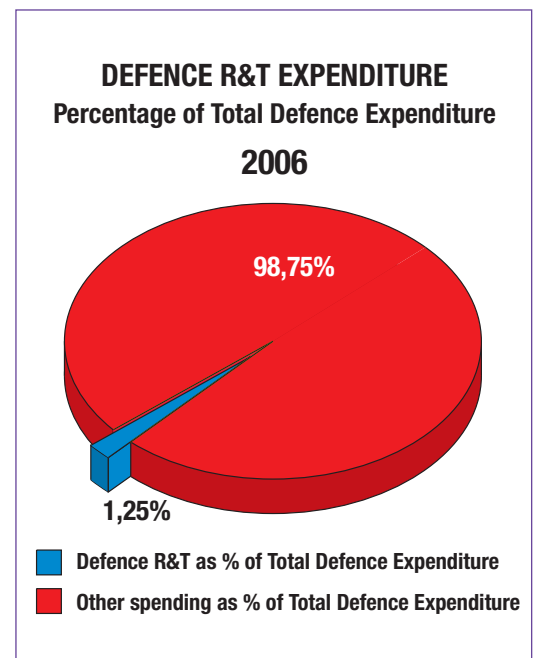
Only national governments can decide the level of spending, but the Agency has a major role to play in meeting the other two objectives.

Spending Better

The Agency and its Member States are working together to establish an R&T strategy to identify the key technologies which are worth backing both because they fit capability needs and have the right industrial impact on a European level.

Deciding on R&T priorities requires a "top down" and a "bottom up" process. The Agency is supporting and maintaining the flow of ideas and proposals from scientific, technology and industrial experts. This will remain an important source of innovative ideas and, once priorities are fixed, of suitable projects.

The new dimension which is expected from the integrated



European spending is still focused too much on short term operating and personnel costs, with not enough devoted to preparing the future and maintaining a strong Defence Technological and Industrial Base. And R&T activity is still too focused on a limited number of countries.

An EDA conference in February brought together more than 300 experts from government, industry, international bodies and academia



(Council of the European Union)

Speakers at the EDA R&T Conference in February. From right: EDA Chief Executive Nick Witney, Head of Agency Javier Solana, European Commission Vice President Günter Verheugen, ASD President Thomas Enders, EDA Deputy Chief Executive Hilmar Linnenkamp.

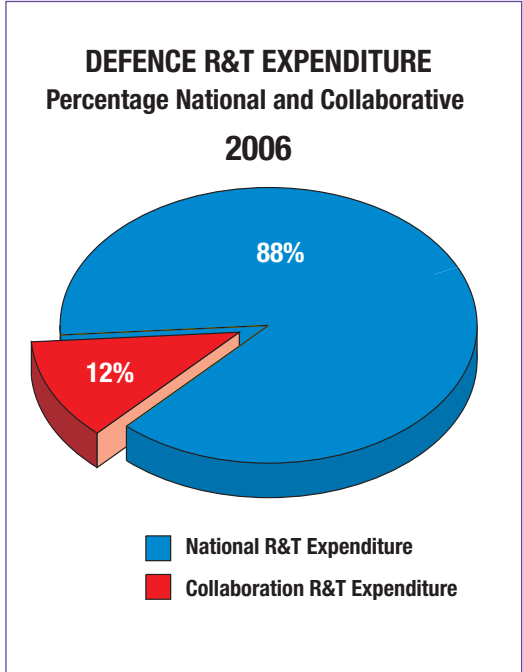
approach of the Agency is to drive this project generation process from the top: R&T priorities have to be derived from agreed future capability challenges. The Agency is pioneering this approach through an exercise to identify an R&T programme matched to a set of operational requirements in the area of force protection. The imperative to do everything possible for the safety of our troops on operations is of course a top capability priority.

Spending More Together

To make collaboration an attractive alternative for national budget plan-

ners, we need new funding mechanisms which would improve the cost effectiveness and the speed of collaborative R&T projects. So, the Agency is proposing an “opt-in” programme which should combine the advantages of an integrated budget with the full involvement of contributors to its management. This aim is to use this mechanism for the Force Protection pilot project and have both the “cargo” and its “vehicle” ready for launch by the end of 2006.

Another important aspect to defence R&T is that defence customers in Europe are increasingly looking at



DefenseNews
EDA Proposes Flexible R&T Funding
European Union defense ministers are looking to create a novel and flexible mechanism for funding cross-border defense research....
 22 May 2006

technologies developed for civilian purposes which may meet their capability needs. So in parallel with its own efforts, the Agency is working closely with the European Commission to identify synergies with its research Framework Programme.■

CAPABILITIES

Filling the Gaps

Pierre Hougardy, Capabilities Director, on putting the Hampton Court Agenda into action

The Agency’s work on filling capability gaps as part of the Hampton Court agenda has focused on addressing strategic lift and air-to-air refuelling shortfalls, as well as pursuing improvements in command, control and communication. In the latter, a number of promising initiatives are already maturing, in particular the work to develop a European approach to Software Defined Radio (SDR) and a Theatre Imagery Exploitation System (TIES) for Battlegroups, the rapid response forces for EU operations.



Photo Belgian Defence DG (PFF)

Strategic lift is a significant capability gap.

SDR

In November, Defence Ministers agreed to support an Agency-led effort to identify requirements and to test the viability of a collective European approach to developing a next-generation SDR as a joint civil/military endeavour. SDR has great interoperability potential, both for multinational operations and integrated civilian/military activities, as it is possible to use many waveforms (e.g. Link16, Tetra, 3G, GPS etc.) with a single device rather than a series of different ones.

The aim is to see if converged national military requirements can be “piggy-backed” on civilian development, if possible supported by the European Commission’s European Security Research Programme. If this is successful, the EDA will fund complementary work on specific military requirements. By the end of the year we hope to have, with the necessary

support of Member States, an initial business case to underpin a proposed collaborative approach and to demonstrate how it can meet military requirements. Furthermore, major European industrial players have already come together to pursue a consortium approach.



A number of promising initiatives are maturing

TIES

The Agency sees an opportunity to assist countries contributing to Battlegroups by providing a capability to analyse imagery received from a variety of tactical platforms (Unmanned Air Vehicles, reconnaissance aircraft, etc.) at one single work-station. The objective would be eventually to merge such data with strategic imagery products received from the EU Satellite Centre (SATCEN).



Czy polska zbrojeniowka otworzy sie na Europe?

750 mln euro wydaje rocznie polski rzad na zakup uzbrojenia dla polskiej armii. - Otworzcie swuj rynek na Europe, a bedziecie mieli dostep do 40-mlrd unijnego rynku - kusza szefowie Europejskiej Agencji Obrony

11 April 2006

Starting in March 2007, the EDA intends to mount a 12-month demonstrator project based at SATCEN. Strong support from participating Member States will be essential in order to provide imagery data input from tactical sensors and to provide two national expert imagery analysts for the 12-month period.

STRATEGIC LIFT

The major importance of strategic lift capability is that it allows EU Member States to respond to emerging crises globally. Strategic lift has been identified as a challenge for contributing Member States in order to deploy Battlegroups and as a significant enabler to assist in disaster relief. However, the prohibitively high cost of strategic transport requires innovative solutions that are not focused on traditional classical acquisition programmes.

The EDA's work has shown promising signs, but there is a long way to

INTERNATIONAL
Herald Tribune

Europe's uphill fight on military spending

National rivalries mean that Europe is losing economies of scale in an era of rising equipment costs, leaving the region badly trailing the United States in battlefield technologies and jeopardizing cooperation among fighting forces.

8 April 2006

go. One focus is the possible use of civilian transport capabilities and resources for European Union crisis management operations to complement current or future available capabilities.

Air-to-Air REFUELLING (AAR)

Despite the efforts of various European working groups, such as ECAP, Air-to-Air Refuelling (AAR) remains a significant European capability shortfall. In October 2005, eleven Ministers agreed to cooperate under the auspices of the Agency to monitor current developments and to consider possible new approaches

to enhance capability. Investigations were conducted in two directions: how to better manage existing assets and how to better acquire new aircraft. Recognising that the cost of AAR capability is a major issue, the group has commissioned expert advice to investigate innovative financing options.

The key findings of the group are now being analysed in detail by national governments. By the end of the year, the Agency will gather together those reflections and the intentions of Member States on how to address the AAR shortfall in the medium to longer term. ■



(Photo EDA/King's Eye)

*In the information age, **Network Enabled Capability (NEC)** is an essential tool which could enhance the scope, speed and quality of decision-making. At an EDA seminar in April, almost 100 experts from national ministries, armed forces, EU institutions, NATO and an industry consortium debated how NEC might support capabilities for ESDP crisis-management operations.*

From left, Pierre Hougardy, EDA Capabilities Director, General Rolando Mosca Moschini, Chairman of the EU Military Committee, and Ambassador Clemens von Goetze, German Representative to the EU Political and Security Committee, address the NEC seminar

CODE OF CONDUCT ON DEFENCE PROCUREMENT

Creating a European Market

Ulf Hammarström, Industry & Market Director, explains a historic move

On 1 July 2006, a new European Defence Equipment Market was born, with the implementation in 22 EU countries of a voluntary defence procurement regime. This is the result of a common determination to support the strengthening of the European defence industry through increased market opportunities and to give taxpayers better value for money. European companies, faced with increased international competition, are hampered by the national fragmentation of markets and limited competition opportunities inside the EU.

The prime objectives of the regime are increased competition and transparency between the subscribing Member States on matters of defence procurement. Not everything will change at once. But the important thing is that competition is the agreed basic principle and when this is not applied, it will be clearly visible.

The regime is operated on the basis

CODE OF CONDUCT KEY FACTS	
Objective	To inject transparency and competition in defence procurement
Scope	Contracts covered by Article 296 of the EC Treaty
Threshold	At least €1 million (excluding VAT)
Exclusions	Nuclear weapons and nuclear propulsion systems, chemical, bacteriological and radiological goods and services, cryptographic equipment. (data to be provided)
Exceptions	Pressing operational urgency; follow-on work or supplementary goods and services; extraordinary and compelling reasons of national security (data to be provided)
Participants	22 countries (all EDA Member States except Hungary and Spain, who may join later)

of a Code of Conduct under which all defence contract opportunities worth at least €1 million and which are not subject to EC Public Procurement Directives – and, thanks to Article 296 of the EC Treaty, this is the majority of defence procurement – are advertised. The opportunities will be published



The prime objectives are increased competition and transparency

of the procurement procedure. Governments are also free to evaluate bids from industries based in countries not subscribing to the regime if they choose.

Since it is a voluntary regime, a key feature is the monitoring and reporting responsibility which governments have

entrusted to the EDA. Reports to the Steering Board, the EDA's supreme body on which all participating Member States and the European Commission are represented, will allow Ministers to discuss progress towards a more common market and make them mutually accountable for implementing the Code uniformly.

Defence Ministers have undertaken to evaluate fairly and equally all bids from industries based on the territory of the 22 nations, on the basis of criteria which are clear from the outset

entrusted to the EDA. Reports to the Steering Board, the EDA's supreme body on which all participating Member States and the European Commission are represented, will allow Ministers to discuss progress towards a more common market and make them mutually accountable for implementing the Code uniformly.

The Code of Conduct covers contracts placed by governments and

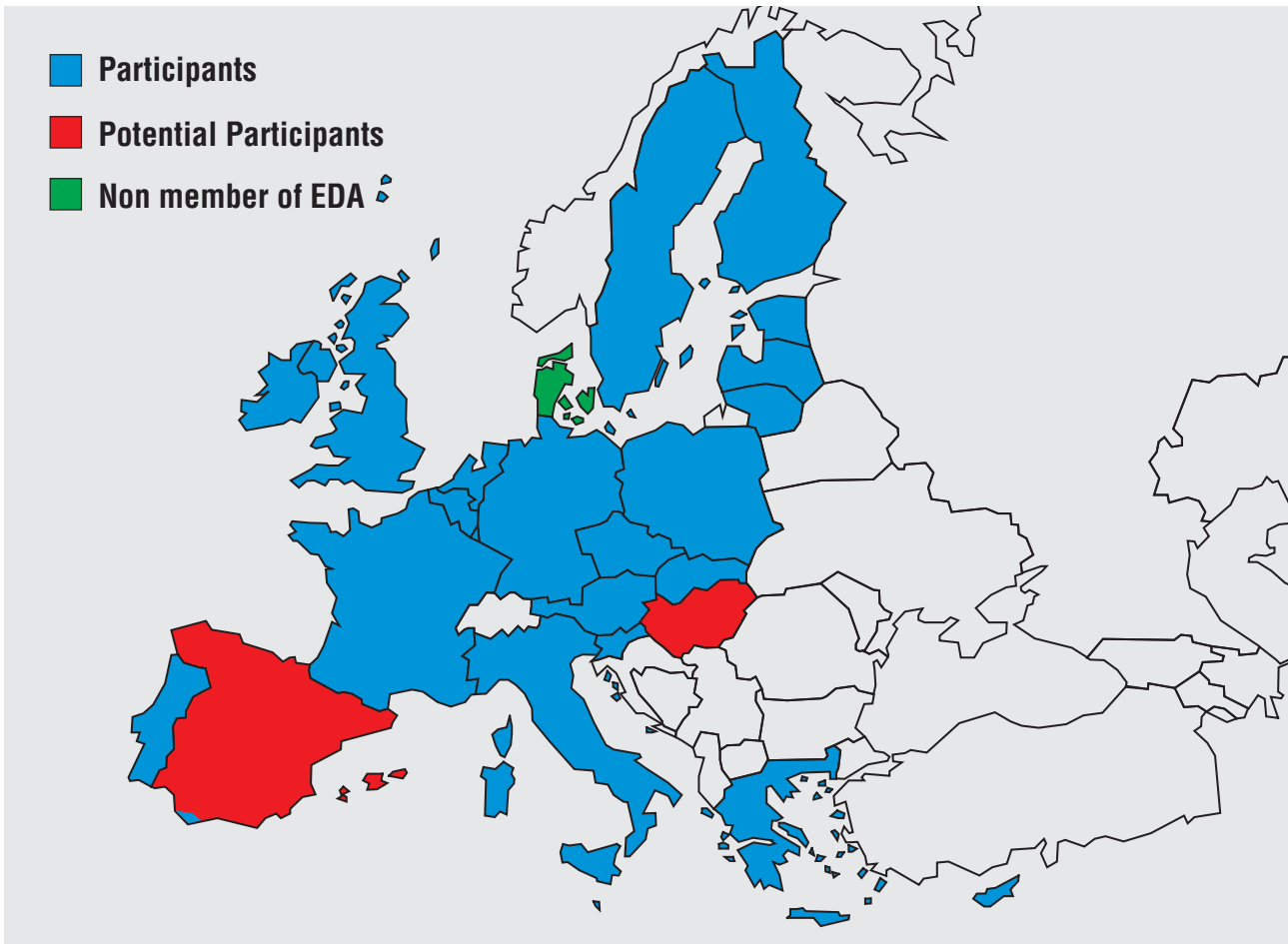
Il Sole **24 ORE** .com

Un gioco comune per la Difesa

L'Agenzia del settore a metà maggio ribadirà che occorre aprire su scala continentale il mercato delle forniture - Finora le Forze d'intervento all'estero spesso non hanno potuto scambiarsi i pezzi di ricambio

24 April 2006

Participation in the Code of Conduct



thus largely affects the bigger prime contractors. The Code is therefore complemented by another instrument, a Code of Best Practice for the Supply Chain, seeking to drive the same principles of competition and transparency down the supply chain.

Further steps need to be taken

This will increase contract opportunities, especially for small and medium-sized enterprises (SMEs)

who are key actors in the European industry and provide much of its innovation.

Meanwhile the European Commission continues to work in complementary fashion on defence procurement issues

not covered by the exemption of Article 296 and which are therefore subject to normal EU regulation.

It is clear that defence procurement is not just another commercial market and that further steps need to be taken to facilitate the smooth operation of an integrated market. The EDA has been asked to continue working on issues such as Security of Supply, Security of Information and the use of “offsets”.

Finally, no one thinks that market forces alone will create the industrial base needed for the future military capabilities of the EU. Governments regulate the market but are also its only customers as well and they therefore have a responsibility in their own right for the structure of the industry. For this reason, the Agency will this autumn launch a debate on the future European Defence Technological and Industrial Base (EDTIB) with a major conference to be held early next year. ■

Handelsblatt
.com

Europa öffnet den abgeschotteten Rüstungsmarkt

Die EU geht den ersten Schritt zur Öffnung des bislang weitgehend abgeschotteten Rüstungsmarkts. Ab dem 1. Juli wollen 22 EU-Staaten ihre Rüstungsaufträge öffentlich ausschreiben.

29 June 2006

LONG TERM VISION

Preparing the Future

Hilmar Linnenkamp, Deputy Chief Executive, on how the EDA is thinking ahead

Last November, the Steering Board asked the EDA to develop an Initial Long Term Vision (LTV) for European Capability and Capacity Needs. Its key aim is to provide the foundation for better defining future ESDP capability needs, to contribute to the harmonisation of requirements, and to develop a European defence R&T strategy. The LTV should offer the best answers available as to what the future context for ESDP capabilities and operations may be. It is not intended to address policy issues such as the scope or level of ambition of ESDP.

The LTV is being developed in three parallel work strands related to developments in the global

context, the future military environment and science and technology trends (See Box 1). Of course, there are many other important issues influencing future developments. Therefore, we have involved other relevant stakeholders as much as possible:

LONG TERM VISION THREE PARALLEL WORK STRANDS

The Long Term Vision is being developed in three parallel work strands:

Strand 1 discusses **developments** in the global context such as trends in demography, economy and global governance. The EU ISS has supported this exercise by developing an excellent paper, compiling the collective wisdom of “futurologists” from all over.

Strand 2 addresses the **future military environment**. Here, the EU Military Committee is in the lead. Initial EUMC considerations include a wide spectrum of potential future capability profiles.

Strand 3 evaluates of **Science & Technology (S&T) trends** both in the light of challenges and of opportunities. The EDA’s R&T director is leading this work.

sible: the European Commission, the EU Council General Secretariat and



We cannot predict but we can prepare

the defence industry. We are also aware of past work and current actions of the NATO’s Allied Command Transformation.

In two recent seminars, we have tested our understanding of some key factors that may shape our future and some of our emerging findings. The first seminar was conducted with the SDA think tank on 13 June and a second “Grand Seminar” with

the EDA’s participating Member States on 29 June.

Now we need to synthesise the key findings in a single, coherent and concise piece of work to be presented to the EDA Steering Board in October. We fully appreciate that we cannot predict the future. However, we can prepare ourselves by creating a vision of possible futures which can be adjusted as we gain more information. The initial LTV should provide us and our Member States with a solid start for a long journey towards affordable, appropriate and flexible future capabilities. ■



Hilmar Linnenkamp talks to participants at the Long Term Vision brainstorming seminar in June, held in conjunction with Security & Defence Agenda

(EDA/Frédéric Remouchamps)

ARMAMENTS

Building Cooperation

Carlo Magrassi, Armaments Director, talks about the challenges of his role

How has your previous career helped prepare you for life at the EDA?

I am fortunate to have seen the acquisition of cooperative defence programmes from the perspective of an operator in the front line and also from within the acquisition community. Two very different perspectives that have left me in no doubt that the world of armaments is a place full of twists and turns.

What do you see as the main drivers for Armaments cooperation?

In its simplest form, armaments is all about buying things the military customer wants. But the reality is far more complex and challenging. It is a jigsaw of political desire, military desire, industrial desire and money that is often hard to bring together in one nation, let alone among a number of nations in a cooperative programme. If one piece is missing, then an armaments programme will not proceed.

We are driven by capability requirements for ESDP, but at the same time industry is seeking products they can sell in an ever increasing global market. Unsurprisingly these desires do not always align. Additionally the level of expenditure on armaments programmes often requires cross-government consultation for the

approval of funds, and implementation will affect the livelihood of many people. These are very different dynamics from agreeing a common military requirement or even a common R&T programme where much less money is involved.

Your flagship programme is on Armoured Fighting Vehicles. How is it going so far?

The programme aims to consolidate both demand from our Member States and supply from industry. Initially it was hoped that a cooperative vehicle programme could be forged from existing programmes, but it soon became apparent that an alternative, longer term approach was required. The focus was switched to identifying technologies mature enough to support next-generation AFVs or the upgrading of existing AFVs and to developing them jointly.

How did you decide which technologies to focus on?

We undertook a wide consultation process to make sure we reflected the priorities of Member States and also what the European land systems industry was capable of and wanted to produce collectively. Those were the first two pieces of the jigsaw – military and industrial desire. We then proposed five feasibility study projects (see box).

Cooperation should become the norm rather than the exception

PROFILE



As a former fighter pilot and test pilot and later a senior official in the Italian Defence Ministry, Carlo Magrassi has had both a practical and a theoretical insight to armaments cooperation in the international arena.

ARMOURED FIGHTING VEHICLES

Five Feasibility Projects :

- Beyond line of sight command and control
- Network-enabled AFVs
- Active protection systems for air-transportable AFVs
- Parametric study of virtual prototypes
- Unmanned vehicles

La Tribune

“Nous sommes les catalyseurs de la volonté des États”

Alors que l'Europe politique subit un coup d'arrêt, l'Agence européenne de défense (AED) continue de progresser dans un domaine proche : l'Europe de la défense.

10 January 2006



(Photo Belgian Defence DG IPR)

AFV is a flagship programme with a long term approach.

How will you identify other areas to tackle?

Some of these will naturally come from the capability development work within the Agency. But we also want suggestions from Member States and industry. We are ready to facilitate discussions to find those real cooperative ‘nuggets’ that benefit ESDP. I hope that we will increasingly become, as Javier Solana put it, a place where Ministers and officials feel comfortable to come and do business not just with us but with each other. ■

We are now seeking a relatively small amount of money from our participating Member States for these projects, with final approval by the EDA Steering Board. That will give us the final two pieces of the jigsaw – political desire and money.

What do you expect to happen as a result of these studies?

The study areas all stand a very good chance of progressing into technology demonstrator programmes and, in the longer term, of becoming key components of a future AFV. Along the way, industry may have moved close to establishing real centres of excellence.

How are you addressing the longer-term challenges?

We are trying to identify the enablers for the cultural change necessary for cooperation to become the norm rather than the exception. The new Code of Conduct on procurement and Code of Best Practice in the Supply Chain are very important here. We have launched a study into the cooperative lessons learned and procurement best practice, which we will then share. We are also seeking rationalisation of the Defence Test and Evaluation Base to provide a more joined-up approach to testing and certification, and supporting standardisation initiatives of Member States and Industry.



Drive to open EU defence market

A new attempt to open up Europe's Euros 30bn defence procurement market has begun with the posting of Euros 500m of projects on the internet.

Yesterday was the first working day of a new, voluntary regime spearheaded by the fledgling European Defence Agency - and saw projects notified by Finland, France, the UK and Netherlands.

4 July 2006



(Photo EDA/King's Eye)

Participants at an April seminar for media and communications specialists from EDA members' defence ministries discuss how to communicate the work of the Agency more widely.

EDA LIFE



Javier Solana, Head of the EDA, reviewing strategy with members of the Agency Management Board.



Twin track approach: Laure Frier of the EDA's Policy and Planning Unit, with her twin babies Hugo and Theodore, at a welcoming party at the Agency.

(Photo EDA)



EDA Chief Executive Nick Witney (second from left) listens to Austrian Defence Minister Günther Platter at the Officers Ball in Vienna in January.

(Photo © Burdeshheer, BMLV)

ONLINE NEWS

The address of the EDA's website has changed to <http://www.eda.europa.eu> and all EDA e-mail addresses are now in the form firstname.lastname@eda.europa.eu

Our website continues to be popular, attracting more than 12,000 visits a month.

The IT department has deployed many other online tools:

- 120 Extranet Forums, with more than 1000 users, saving time and meetings;
- Seminar & conference registration and attendance management;
- Country data collection and reporting tool (11 participating member states involved so far);
- Registration for non-governmental R&T experts for CAPTECH network (more than 500 experts registered);
- Long Term Vision proposals collection;
- Project Management Tool to communicate with pMS on EDA objectives and way of working;
- Electronic Bulletin Board to support Code of Conduct on Defence Procurement.



EDA staff celebrate midsummer at party organised by Finnish colleagues.

EDA Bulletin is published by the EDA

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