



EUROPEAN DEFENCE AGENCY

Brussels, 23 May 2005

EUROPEAN DEFENCE AGENCY MINISTERS CALL FOR MORE COOPERATION ON NEW ARMoured FIGHTING VEHICLES (BRUSSELS, 23 MAY 2005)

European Defence Ministers agreed today that more cooperation was urgently needed on up to 23 separate national programmes to acquire new armoured fighting vehicles (AFVs) for their armed forces.

The ministers, meeting as the Steering Board of the European Defence Agency, instructed the Agency to work with governments planning for next generation AFVs to ensure that they would have as much in common as possible. That would include pooling efforts and resources on new technologies to improve protection whilst reducing weight, and even collaborative programmes.

“This sector is a perfect example why the Agency is needed: these are the vehicles which our future operations will require,” said Javier Solana, the Head of the Agency, after chairing the ministerial meeting.

“But the Agency has shown that there is enormous fragmentation in both supply and demand and almost no international cooperation between member states. We agreed that we cannot go on as we are; together we must find a way to change,” he added.

AFVs - smaller than a main battle tank and larger than a 4x4 - are designed to provide protected mobility and additional fire-power to soldiers in actual or potential combat situations. An Agency report prepared for the meeting said some 20,000 such vehicles are currently in service with European armed forces and estimated that, over the next decade, there would be demand for around 10,000, which could cost up to €30 billion.

“European governments will spend this money much more effectively if they spend it together,”

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said Nick Witney, Chief Executive of the EDA, noting the increasing US domination of the industry in Europe.

Ministers also agreed that the Agency should promote “user clubs” for countries who bought the same AFVs to achieve savings in running costs. They also ordered a further study by the end of the year into European industrial strengths and capabilities in this area, including an analysis of the market inside and outside Europe.

In another move aimed at strengthening the European Defence Equipment Market, one of the major aims of the Agency, ministers agreed that it should carry out a study into the extent to which EU governments have exempted defence contracts from the normal workings of the internal market using the exemption provided for in Article 296 of the Treaty on the European Community.

The ministers said the current fragmentation of the defence equipment markets in Europe was detrimental to the effectiveness of defence spending and, especially in the long term, to creating a strong European Defence Technology and Industrial Base.

The new data-gathering exercise will be part of the work leading to EDA proposals by the end of the year for the launch of a new “Code of Conduct” on defence procurement. The aim is to introduce cross-border competition within the EU for defence purchases which have hitherto been reserved for national suppliers under the Article 296 exemption from internal market rules.

Ministers strongly backed this objective.

During the meeting Witney also reported on the Agency’s activities and progress with its first year’s work programme. The Ministers agreed that a good start had been made, whilst emphasising the need for early results.

The Steering Board, which is the decision-making authority for the Agency, also approved detailed Rules of Procedure for meetings of the Board. It was meeting at ministerial level for the third time, and for the first time since the Agency became operational at the beginning of this year.

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Steering Board Conclusions on Armoured Fighting Vehicles

The Steering Board of the European Defence Agency:

- a) agrees that consolidation of demand for AFVs in Europe is necessary and urgent - for operational, economic and industrial reasons;
- b) instructs the Agency to:
 - encourage near-term co-operation on pMS AFV programmes due to be contracted in the near future, without jeopardising or causing detriment to ongoing national procurement programmes already under commitment;
 - work with those pMS who plan to introduce to service in 2010-2015 “next generation” AFVs, aiming to develop a common staff requirement and programme, with high commonality of platform and sub-system solutions, and associated joint research and technology demonstration (relevant work under LoI could serve as a useful basis);
 - conduct by the end of the year an AFV-related study using external consultant services focusing on European industrial strengths/capabilities and relevant national industrial interests, including market analysis in and outside Europe.

The Agency is tasked to report on this work by the November 2005 Steering Board at Defence Ministers level; and

- c) encourages the Agency to take the following further steps towards broader collaboration in the AFV sector:
 - expand the definition work in due course on staff requirements to “new generation” Infantry Fighting Vehicles targeting to meet the pMS demand 2020+;
 - promote “user-clubs”;
 - support expanding European defence standardisation efforts in the AFV area towards more commonality and enhanced interoperability.

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European Defence Agency Background on Armoured Fighting Vehicles

Vehicles offering protected mobility to land forces will remain of fundamental importance. In future there will be an increased emphasis on deployed operations under the EDSP. This brings with it technological challenges to improve protection whilst reducing weight. The use of modular structures and advanced communication systems will help reduce the logistic burden of disparate inventories of Armoured Fighting Vehicles (AFVs) on deployed operations.

There are a huge variety of types of AFVs in service with European armed forces (some with hull and chassis as old as 50 years) – well over 20,000 in number.

European demand:

- **Infantry Fighting Vehicles (IFVs).** Demand over the next decade seems relatively thin - about 1000 vehicles, the majority of which are already under contract. Some ideas exist for “next generation” high-tech/high cost IFVs, for which demand is probably only in the hundreds.
- **"Classic" Armoured Personnel Carriers (APCs).** Orders for some 2500 such vehicles are planned. In addition, a further 700 vehicles are expected to be ordered shortly and separately by three nations running their own individual programmes. Future development of APCs is likely to be incremental – progressive introduction of modularity and the use of COTS components.
- **"Next generation" APCs.** There is a demand for over 5000 of such vehicles, with in-service dates from the early to the middle years of the next decade. The general aim is to meet enhanced requirements on air-portability, better protection, networking and modularity. The main part of this demand will be for APC-type platforms capable of being equipped for many different tasks.

European supply:

- In the late 1990s, there were some 13 companies in Europe with a full design, development and production capability for AFVs. In recent years there have been two consolidation thrusts: General Dynamics of the U.S. has bought Santa Barbara (Spain), MOWAG (Switzerland) and STEYR (Austria); and the UK and Swedish industries (Alvis and Hägglunds) have now been brought together with United Defence Industries (UDI), under BAE Systems ownership. Further consolidation seems inevitable.

Overall, the estimated identifiable European demand is for around 10,000 vehicles over the next ten years, with the majority wheeled rather than tracked. The estimated total business value for this demand will be perhaps between €20 and €30 billion over ten years. Currently there are some 23 different programmes ongoing to satisfy the demand, of which only one is currently planned as collaboration – the BOXER programme of Germany and the Netherlands. Modest co-operation also exists through “user-club” type of arrangements between nations which have bought similar vehicles. Some efforts have been also made in WEAG and between LoI nations to identify future common needs and harmonise requirements, with as yet limited results.

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STEERING BOARD DECISION NO. 2005/03

ON

EUROPEAN DEFENCE EQUIPMENT MARKET

In order to increase transparency on the part of pMS on the extent and nature of use of Art. 296 of the TEC in defence procurement, and, in order to prepare for a proposal by the Agency in November 2005, providing the basis for a decision whether to proceed with a voluntary, non-binding intergovernmental regime

the SB decides:

EDA will collect data from pMS on the invocation (and non-invocation) of Article 296 on the basis of the following structure:

- 1) The collection of data will make use of a common typology of the information, and include data of the years 2002, 2003 and 2004.

- 2) As a basis for the collection of data, the first group of questions will aim at clarifying
 - national procedures used to decide whether or not to invoke Art. 296 for a defence procurement;
 - the typical national security reasons for invoking (explicitly or implicitly through negotiating procedures) the Art. 296 exemption;
 - national procedures for determining the procurement strategy in cases where Art. 296 is invoked.

- 3) The second part will be the actual data collection, which will be based on contracts (numbers and values only) divided into contracts based on EC Public Procurement Rules (PPR) and Art. 296 contracts. For the Art. 296 area, EDA will, still only in terms of numbers and values, distinguish
 - between national programs and collaborative programs
 - national and international competition and
 - goods and services.

- 4) Data should be provided on the overall value and number of all contracts excluding those dealing with nuclear weapons, nuclear propulsion systems and cryptographic equipment as these would by their nature not become part of a more common EDEM.

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- 5) EDA will collect data on the size of suppliers involved, to provide a picture of the industrial landscape, including, in particular, SMEs.
- 6) EDA will ensure confidentiality of the data provided and also ensure that no individual pMS data will be reported or distributed.
- 7) Nations will provide the best possible data, taking into account the limits of national registration procedures and systems; the fullest possible data will be provided to the EDA by mid-July 2005 in respect of 2004; by mid-September 2005 in respect of 2003; by mid-October 2005 in respect of 2002.

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- Background information -

The European Defence Agency (EDA) was established by the Council on 12 July 2004. It is designed "to support the Member States in their effort to improve European defence capabilities in the field of crisis management and to sustain the ESDP as it stands now and develops in the future". More specifically, the Agency is ascribed four functions, relating to:

- a) defence capabilities development;
- b) armaments cooperation;
- c) the European defence technological and industrial base and defence equipment market;
- d) research and technology.

These functions all relate to improving Europe's defence performance, by promoting coherence in place of fragmentation.

The Agency's tasks are:

- to work for a more comprehensive and systematic approach to defining and meeting the capability needs of ESDP (supporting, for example, the "Headline Goal 2010" initiative);
- to promote equipment collaborations, both to contribute to defence capabilities and as catalysts for further restructuring of the European defence industry.
- to promote European defence-relevant R&T, as vital both to a healthy defence technological and industrial base and to defining and satisfying future capability requirements. This will involve pursuing collaborative use of national defence R&T funds, in the context of a European policy which identifies priorities.

The EDA is an Agency of the European Union. All EU Member States, except Denmark, participate. High Representative Javier Solana is Head of the Agency and chairman of the Steering Board, which acts under the Council's authority and within the framework of guidelines issued by the Council.

Nick Witney was appointed EDA Chief Executive on 30 July 2004.

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