



Defence Innovates Symposium

Soesterberg, 6 June 2007

Address by Nick Witney, Chief Executive, EDA

The European Defence Market

I'm particularly glad to be able to join you for your Symposium here today. First, because it gives me a chance to acknowledge, and in a small way reciprocate, the strong support that The Netherlands has given to the EDA enterprise during its short life. You have understood and assisted our various agendas, and in many ways offered an example to others – in, for example, the strong capability focus you bring to your defence planning, and indeed in your readiness to step forward when words must be followed by deeds, and operational deployments have to be undertaken. The Netherlands is amongst the leading European nations in terms of the proportion of your military manpower that is actually out there in the field, bearing the risks and burdens of crisis management operations.

The second reason I am glad to be here is to express particular appreciation for the seriousness with which you treat defence research and technology. This is obvious not only in the amount of money you devote to it – 5th in the European league table, I believe –

but also in the excellence of your research institutions, with TNO pre-eminent.

I am not a scientist. But I have in recent years, and indeed in a previous life, spent a lot of time talking to people who understand research and technology better than I – so I feel I can offer you today some thoughts with a certain amount of confidence. For example, I do not think you need an advanced degree in quantum mechanics to conclude that, today, Europe as a whole is massively under-invested in defence R&T.

Our main competitors are the Americans (though tomorrow they will be the Chinese and Indians as well) – and I do not think we should hesitate to describe the United States, our indispensable ally, as our competitors in defence industrial matters. And they are currently outspending us at the rate of 6:1 in both research and technology, and research and development. It was a shock to do the sums, and realise that the combined total of everything European ministries of defence spend on research and technology – something under €2.5bn a year – is less than the annual DARPA budget. If we mean what we say about sustaining a healthy and globally competitive defence technological and industrial base in Europe (DTIB in the jargon), then we simply have to do better than that.

Fortunately, it is no longer just me saying this, but 26 European Defence Ministers. Last month, when they met as the EDA Steering Board in Brussels on 14 May, they agreed an important document – a Strategy for a European DTIB. You can read it on our website –

www.eda.europa.eu. It offers a fairly comprehensive analysis of the challenges we face, and what we must do if we are to stay in business in Europe. It says in terms that, whatever excellences we may retain today, we are living on past investment. The message is clear – we must spend more on defence R&T in Europe, and we must spend more together.

That second point is worth a moment's pause. The potential benefits of working together are obvious, in terms of getting more for our money. But the Strategy document to which I referred also makes the point that working together on R&T can make a critical contribution to a wider theme of the Strategy – the need to converge our military requirements, and make decisive progress towards the long-recognised goal of fielding more common equipments and systems amongst European armed forces. Partly this is necessary to achieve the economies of scale that we all know our industries need, but it is also because interoperability is key to safety and success in multinational operations, and there is no form of interoperability in the domain of equipment better than actually using the same kit.

Now the lesson has been painfully learned in Europe over many years that the best collaborations start “up-stream” – at the point where thought is being given to what a desired new capability will be for, and how it will be used. So, if I may quote the Strategy “this emphasis on the early conceptual stage underlines the importance of a step-change in defence R&T collaboration in Europe as a key to ‘up-stream’ convergence of requirements thinking, and the point where the possible applications of new technologies are explored”.

More broadly, the message of the Strategy is stark – that we can no longer afford to do the business of defence in 20-something separate national boxes, but must, like it or not, encourage the evolution of a truly European DTIB, as something more than the sum of national parts. This implies a European DTIB which is less duplicative, more specialised, and more interdependent – and one in which centres of excellence evolve which others rely upon rather than try to replicate. Greater competition in defence procurement, and the progressive move towards a genuine defence equipment market, will add a powerful dynamic to that process. I do not think there is anything in this which this audience will be afraid of – indeed, your representatives have been amongst the new Strategy’s foremost supporters.

Strategies are fine – but implementation is better. So it was a pleasure to see, at the same Ministerial meeting, 19 Defence Ministers signing the Programme Arrangement for an innovative new Joint Investment Programme (JIP) for research into technologies relevant to the protection of deployed forces. The Netherlands is a substantial shareholder in this enterprise. The virtue of this scheme is not just that it has resulted in a sizeable joint fund – some €55m – being got together, and got together much more rapidly than the traditional pace with which defence R&T collaborations have come together in Europe. It is also that it has brought into the business a wide range of European Member States who have not previously had a vehicle through which they could invest relatively modest sums to good purpose.

Second, it promises a significant broadening of the supply base. The first call for proposals under the JIP has been issued to almost 300 entities across Europe: about a third of them familiar defence companies; another third SMEs and non-traditional suppliers; and the last third universities, research institutions and laboratories. I am glad to see that a dozen Dutch concerns, mainly SMEs, are on this list.

The ground rules of the fund specify that no-one can bid unless they are in a consortium, meaning a minimum of two entities from two different Member States. So we have set up a ferment of networking and mutual discovery, which we have every confidence will flush out new sources of innovation across our continent. Europe is not so rich in human capital, especially scientific human capital, that it can afford to waste any contribution of this kind.

Also good about this scheme is that it introduces some genuine competition into the process. Not as much as I would like – across the entire programme we have to achieve some sort of global balance, which means that towards the end of the series of calls for proposals we may have to be more directive about the national origin of potential suppliers. But at least it is a start. And when I say start that is what I mean. The old arrangements, dating from the early 1990s, also spoke of competition as being the normal means of procurement in R&T collaborations – but it seems that these words were first agreed and then quietly ignored. I think I can state categorically that there has never been an R&T collaboration in Europe so far where the work has not been divided on an exact “fair

shares” basis between the chosen national contractors of each of the participating governments. Money, in short, has never crossed a national frontier. Whilst this is understandable, it is also a great way to fossilise the supply base.

So there is the basic recipe – to spend more, and spend more together and, one must add, to spend better. Partly, this means ensuring a strong focus on capability need – there is, after all, ultimately no future for defence industries or research institutions in Europe which do not produce what the armed forces of tomorrow will actually want to buy. I know that in the world of Dutch defence this is well-understood consideration. And, again, I am grateful for Dutch support on the work our Capabilities Steering Board is overseeing – under the Chairmanship of course of Lo Casteleijn, your MOD Policy Director – to work up a Capabilities Development Plan for ESDP.

But “better”, I suggest, also implies quicker. Too often, we continue to manage the business of defence R&T as though we were still living in the Cold War. But the adversary, as we see everyday in Iraq and Afghanistan, exhibits no such ponderousness in adapting and adopting technologies and using them against us. We must become similarly agile, and match the pace of the ever-shortening cycle time of technological advance in the civil world.

You do not need me to tell you that the line between defence and civilian technologies is growing every day more blurred and that

nowadays much more is spun into defence than is spun out. This is why a particular focus for our Agency's work in Brussels is to look for synergies between the defence R&T that our Member States fund and the substantial sum now being spent by the European Union under the banner of security research. We have already established a good marriage between military and civilian investment in Software Defined Radio technologies – and we hope soon to achieve the same in responding to the challenge – again, recognised by our Ministers in our Steering Board last month – to get UAVs inserted into regulated aerospace.

I have spoken for long enough. But I hope I have given you at least a flavour of the consensus that is developing amongst our participating Member States on how to tackle the required step-change in our collective R&T efforts. As the Strategy document notes, only this way can we hope to preserve and indeed develop our defence technological and industrial base, as a major source of jobs, exports and technological advance – something which in turn helps to maintain public support for defence. Even more important, however, is the key goal - to ensure that the men and women whom we deploy on operations have the best which world-leading technology can provide for them, and come home successful and safe. So I finish by congratulating you on the leading role the Netherland already plays in this vital area, and look forward to today's discussion of how you and we can do even better.