

SME Union Conference on Space: A New Business Opportunity for the European SMEs

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Statement by Adam Sowa, Deputy Chief Executive (Operations): 'Developing Space-Based Capabilities For ESDP'

- Let me start by congratulating the organisers for the excellent choice they made picking up the topic of this Conference and the right timing as well.

- Before speaking on the theme of Space, let me say a few words about what European Defence Agency is and what it does, as some of you might not have been aware of our existence before. In doing so, I will highlight the importance of the Small and Medium-Sized Enterprises.

- The European Defence Agency has been created by the European Council to improve the military capabilities for the European Security and Defence Policy or ESDP.

- We are a capability-driven Agency, but our functions encompass the four relevant areas for capability development, namely: harmonisation of military capability requirements; promoting collaborative Defence Research & Technology; promoting armaments cooperation; and finally opening up the European Defence Equipment Market plus strengthening the European Defence Technological and Industrial Base.

- This is a wide set of responsibilities for an Agency, which is very small in terms of staff and budget. We are about 100 personnel and our budget this year is around 32 million euros.
- So, we can only perform these tasks on the basis of a few important conditions or parameters.
- Firstly, we don't procure any defence products. The participating Member States in EDA (that is all EU Members except Denmark, which has an opt-out on European Defence) remain in charge and responsible for their own military capabilities, including procurement.
- Our role is to bring the Member States together to invest more together and start collaborations – logically with a view to have more capabilities available which we need in the changing security environment and to make these more interoperable and standardised.
- Secondly, EDA is unique in bringing the four relevant actors together and address capability development in an integrated way. Military planners, researchers, armament programmers and industries have to operate in an integrated way, to ensure a capability-driven output but at the same time to incorporate technologies and industrial knowledge early in the planning. This approach is essential to end fragmentation in Europe, both in the defence establishments as well as in the defence industries.

- We are a young Agency, as we only exist in practical terms since 2005. Nevertheless, early results have been realised. For example today you can click on the Electronic Bulletin Board (EBB) on our website to get an overview of defence procurement contracts in Europe, open to cross border awards. This is a breakthrough for developing a more transparent and open European Defence Equipment Market.

- In particular I draw your attention to the so-called EBB Step 2, which contains industry-to-industry contracts. This EBB 2 was specifically developed on the basis of the Code of Best Practice in the Supply Chain, which was not only approved by the Agency's Steering Board but also by the Aerospace and Defence Industries Association of Europe – ASD.

- So, EBB 2 basically list the contracts of prime contractors to business firms down in the supply chain, most of whom are SMEs. I encourage you to visit the EBB2 as there might be opportunities for your enterprises to compete and get contracts.

- The Agency is also working on the implementation of the Strategy for the European Defence Industrial and Technological Base, which was approved by the Ministers in May 2007.

- This Strategy describes the desired future landscape of the European DTIB, characterised by the three “Cs”: Capability-driven, Competent and Competitive – and it defined its essential characteristics such as development of interdependence,

specialisation through centres of excellence, more integration into wider industrial base etc.

- SMEs are specifically mentioned in the EDTIB Strategy. With their characteristics of (quote) “typical flexibility and capacity to innovate” (end quote) they are essential in the supply chain of a more healthy and strengthened EDTIB.
- This is also the reason why the Agency is paying special attention to concrete measures in support of SMEs. At our next Steering Board meeting in National Armaments Directors formation in mid-October we will discuss a set of proposals in this respect.
- Let me now turn to the theme of today’s meeting.
- EDA is not promoting “space” as such. Our interest – that means the interest of our major shareholders, the Ministries of Defence in the Member States – is to assess how space-based and space-related assets can help to improve European military capabilities for ESDP, that means in essence deployed operations, far away from home and in different parts of the world.
- And, clearly, space-based assets are important if not critical for such operations, in particular with regard to communications and information-gathering.
- Logically, EDA has had space-related topics on its agenda since its early days of existence. The first such area was Satellite

Communications, for which we have a short-term track and a longer-term track.

- The short-term track is concentrating on coordinating the procurement of commercial SATCOM by the military of the different Member States. Simply by combining their procurement plans the military will have a better negotiating position on a busy market where they have to compete with civil users, who dominate this market. Next year we hope to establish the SATCOM Procurement Office or Cell.
- Our longer-term track is looking at harmonising the military requirements for the next-generation military SATCOM satellites, that is in the timeframe around 2020 when the current generation of MilSATCOM satellites will come to its end of life.
- An EDA study on technology requirements for future MilSATCOM has been completed. The next step is to develop a Common Staff Target, using the results of the technology study.
- The SATCOM area is a good example of overlapping needs on the civil and the military side. The major part of the technologies has a dual-use character. So, the military can build on work going on at the civil side, avoiding duplication and waste of European tax-payer's money.
- This brings me to a more general point. One: the classical distinction between defence and security is fading away. Military and civil means are used both in crisis management operations far away as

well as in Europe for the security of its citizens. Second: the capabilities overlap, in particular in the areas of communications, command & control and information gathering. And, as stated before, space-based or space-related assets play an increasingly important role for such capabilities.

- The European Union's three pillar construction clashes with this logic of civil-military interaction. The European Defence Agency is an intergovernmental Agency in the second pillar, very different in size, budget and powers when compared to the Commission or the European Space Agency.
- But this doesn't mean that even in the existing constellation we cannot harmonise effort across the three pillars and with other organisations like ESA. And this is exactly what we are doing: seeking civil-military synergies with research investment of the Commission under the 7th Framework Programme and with the European Space Agency.
- Let me add a few words on dual-use technologies. We are very aware that – contrary to the Cold War – now technology development for civilian use is dominating the scene, not military-driven R&T. This is not only clear from the financial perspective – only 1.3% of all defence expenditure in Europe goes to R&T – but it is proven by technology development itself, for example in areas like IT, light-weight materials and others.
- Naturally, there will always be specific technology areas, for which there is only a military application. Think of precision-guided

munitions, anti-mine warfare technology and the like. But also for space-based assets specific military needs will continue to exist, be it only for the reason that military information has to be protected against potential misuse which can endanger the life of our soldiers.

- Coming back now to EDA's space-related activities, let me explain some of our other work strands.

- First, the Global Monitoring for Environment and Security or GMES programme, for which the Commission is responsible. The GMES programme is focussed on civilian users. But under the "Security" part the military could make use of GMES as well, for example for maritime surveillance.

- We have already provided the Commission with military requirements for possible GMES use for maritime surveillance. GMES could also be used for other missions. We will identify how the military can make wider use of civilian-users generated space-based capabilities like GMES.

- And there is a learning process here as well. Defence has been the last government sector which has entered the European Union. EU awareness in the Ministries of Defence is still limited to a few who are directly involved in its activities. Many of our military customers are simply not aware of programmes like GMES and their potential for dual-use.

- A final word on space-based observation capabilities. Six European nations have started work on the next generation military

observation satellites, to replace the French Helios II, the German SAR LUPE and the Italian Cosmo Skymed satellites. This is the so-called MUSIS project.

- The six MUSIS countries have agreed to bring the project under EDA's umbrella. Naturally, this is a welcome development. It opens up the project to other potential participants and it will make it easier to assess at the European level the exact needs, taking into account other space-based observation capabilities.
- I would like to conclude with a remark on technologies. The EDTIB Strategy, to which I referred earlier on, also states that (quote) "we need to identify, from a European perspective, the key defence technologies that we must seek to preserve or develop."
- So, there is a clear recognition that improving Europe's military capabilities cannot be conducted without, at the same time, securing a healthy European industrial and technological base, including technology development in crucial areas.
- 22 key technologies have been identified by our communities as the ones for which Europe doesn't want to be dependent on outside suppliers. This list will be incorporated into our Defence R&T Strategy, which is planned to be approved later this year.
- And last week a workshop was held, co-organised by the Commission, the European Space Agency and EDA, on critical space technologies. As a result of this workshop, the three parties

will set up a task force to establish a combined list of such critical space technologies.

- Mr. Chairman, to conclude: we represent the Defence communities of 26 European countries, who together spend some 200 billion euro annually. We work towards decreasing fragmentation among them, which also affects industry. More coordinated action, more joint investment and therefore more standardisation will not only be to the benefit of the users (the military) but also to the suppliers (industry).

- Therefore, I believe that SMEs will also profit: first, from more consolidated demand; secondly, from a more open and transparent defence equipment market in Europe; and, thirdly, from a strengthened European Defence Technological and Industrial Base (by the way I believe that without good climate for SMEs that wouldn't be possible).

- Thank you for your kind attention.