

PRESS RELEASE

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EUROPEAN DEFENSE EQUIPMENT COOPERATION

Reinforcement needed subject to strict conditions

France set aside about €10 billion a year on defense equipment projects during the period covered by the current Military Programming Law (LPM) i.e., 2014-2019. The LPM bill being debated in Parliament provides for an increase in these investments for the period 2019-2023, with an annual average of €5 billion for nuclear dissuasion and €10 billion for conventional weapons. European cooperation makes it possible to have innovative military equipment while achieving economies of scale and supporting the competitiveness of the European defense industry, but its success is not guaranteed. The Cour de comptes has reviewed the main cooperative defense equipment projects between European States, and presents the conditions required for future cooperation to be successful.

Objectives and steering tools for European defense equipment cooperation

France is involved in 27 European cooperative defense equipment projects, representing around €2 billion in annual investment, three quarters of which goes to the six programmes studied by the Cour de comptes. Cooperation makes it possible, in budgetary terms, to share development costs; it also supports the competitiveness of the defense industry and thus helps uphold Europe's strategic autonomy.

France cooperates with three main partners, Germany, Italy, and the United Kingdom. The 2019-2025 LPM bill reflects the desire to restart cooperation with Germany for air and land-based equipment, to create a partnership with Italy in shipbuilding and to continue cooperation with the United Kingdom, particularly in the field of missiles.

The Organization for Joint Armament Co-operation (OCCAR) is the delegated manager for the majority of the cooperative defense equipment projects France shares with European partners, notably the A400M transport aircraft, the Tigre helicopter, the Multi-Mission Frigate (FREMM), the FSAF anti-aircraft missiles programme, and the MUSIS satellite observation system. OCCAR is endowed with innovative but insufficiently-exploited management principles, which would reconcile the States' expectations of an industrial work share that equals their investments, on a flexible multi-programme/multi-year balance, and the choice of the most efficient industrial groups.



Review of the execution of cooperative defense equipment projects

Most of the major defense equipment projects underway have met with technological success, which has been remarkable at times, but none have achieved all the military characteristics desired, or kept to the timetable. Cooperative projects are also affected by their own shortcomings, i.e., a longer duration than national programmes, complex industrial arrangements, and the numerous versions of equipment produced, due to insufficient harmonisation of military requirements between Participating States.

The sharing of development costs is the main advantage to cooperation, but this is offset by delays, in the current state of practices observed.

Moreover, the industrial outcome of European cooperation is mixed. Admittedly, the major European programmes have helped fuel the work of European engineering departments and the production capacity of companies in the region, but they have not encouraged industrial integration, which is uneven across sectors. Integration, in fact, is not an automatic result of cooperation. European defence industries remain under the dual threat of competition from the US and emerging countries.

Conditions for successful European cooperation

On carrying out such defense equipment projects, France has decided, more often than its partners, to negotiate order reductions and staggered deliveries in order to generate short-term budget savings. This facility, which is used just as much for national defense equipment projects, results in armed forces being under-equipped with regard to initial ambitions and increased unit costs.

Collectively, States do not provide their delegated project manager with the leverage that would make the programme management more flexible and responsive.

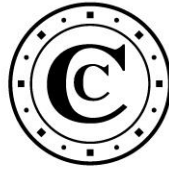
The Cour des Comptes suggests two main ways to make future cooperation more successful:

- harmonise capacity needs and budget schedules with the Participating States as much as possible in order to limit the number of versions of the equipment and to favour the series effect during the production phase;
- strengthen France's influence on European Union structures by dedicating a team within the French Defence Procurement Agency (DGA) and sending more seconded national experts to the European Commission, in a context where European Union is taking initiatives in the area of defense equipment - which is new -, with the planned European Defence Fund.

It has also formulated three recommendations:

- favour a partnership limited to two, or even three States sharing the same wish to invest sustainably and ready to commit to a unique project contractor and project manager;
- promote OCCAR as the delegated project manager;
- do not launch new defense equipment projects without first ensuring that the associated budget programming is realistic.


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