

February 6, 2015

## **ASD POSITION PAPER**

### **CONSIDERATIONS ON THE PROPOSED EU PREPARATORY ACTION ON CSDP-RELATED RESEARCH**

#### **About ASD**

*ASD represents the Aeronautics, Space, Security and Defence industries in Europe. Based in Brussels, the organisation's membership today comprises 15 major European aerospace and defence companies and 27 member associations in 20 countries (Austria, Belgium, Bulgaria, the Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, Turkey and the UK). These industries reach a turnover of 197.3 billion euros, invest 20 billion euros in R&D, employ 778,000 people and count over 3000 companies, 80,000 suppliers, many of which are SMEs.*



## **EXECUTIVE SUMMARY**

ASD, representing European defence and aerospace industries, welcomes the European Commission's intention to establish a Preparatory Action ("PA") for CSDP-related research, and views as the strategic goal of the PA the preparation of a fully-fledged CSDP-related defence research programme as part of the next Multi-Annual Financial Framework (2021-2027).

Key attributes for success of the PA are to demonstrate EU-added value, and related to this, complementarity with existing funding mechanisms (national programmes, European Defence Agency, and H2020). Equally important is to take into account the specificities of the defence sector, especially as concerns funding levels, rules of operation, terms and conditions. Finally, market uptake is crucial in order to ensure that EU-funded defence research generates new capabilities for armed forces in Europe and business opportunities for the European Defence Technological and Industrial Base (EDTIB).

Activities under the PA can have various CSDP-related objectives: support of military CSDP missions, interoperability and common standards, security of supply at European level for key defence technologies and capabilities, and new technologies (emerging, disruptive, or coming from other sectors) with major defence potential. In principle, all these objectives will offer EU-added-value, but each of them implies a different approach for identifying and managing research projects. Hence we recommend using the PA to test how these approaches can best support defence research at EU level. Consequently, the PA should foresee at least one project for each of these objectives; the experience gained from these exercises should then be used to establish a method for the definition of the content of the follow-on programme.

## **INTRODUCTION**

ASD, representing European defence industries, welcomes the intention of the European Commission to support the European defence sector through a defence research programme. The proposed PA on CSDP-related research is a major milestone in this respect and should pave the way to a fully-fledged EU defence research programme as part of the next Multi-annual Financial Framework (2021-2027).

The purpose of this Position Paper is to identify conditions which must be fulfilled to ensure that the PA becomes a success. It contains particular observations and recommendations on the overall strategy, rules and conditions, work programme and operational procedures for the PA.

This Position Paper does not pretend to give exhaustive answers to all pertinent questions. It is conceived as a first written contribution from industry, made at this early



stage of the process. Further work at technical and political level will be necessary to resolve all outstanding issues, in particular the governance, the programme set-up, the technical priorities, and the market uptake. European industry is willing to contribute to this process through ASD.

## **ANALYSIS AND RECOMMENDATIONS**

In order to be successful, the PA must demonstrate the feasibility and the added value of EU funding of defence research. To achieve this, it is particularly important that the PA takes into account the specificity of the defence sector and that it is set up in complementarity with existing research programmes.

### **Strategic Goals**

A defence-related EU research programme should have as its main mission to support the development and implementation of the European Union's CSDP, including where Member States operate in multilateral actions in coalition with external allies. From industry's perspective, this means that it should aim to enhance availability and security of supply in Europe of key strategic defence technologies and capabilities. It should also strengthen the competitiveness of the EDTIB, and foster European cooperation by contributing to the preparation of joint European and bi/multilateral development programmes.

Both the PA and the follow-on EU defence research programme should pursue these strategic goals. On this basis, more specific objectives can be defined to ensure the EU-added value of research activities. Such objectives could be, for example, to foster and contribute to:

- Interoperability of technologies and systems and use of common standards for defence systems made in the EU;
- Support for the full range of possible CSDP military missions through a capability driven approach based on national priorities, including those agreed through the 2014 CDP (Capability Development Plan) and its future updates;
- Maintaining and strengthening the capabilities and competitiveness of the EDTIB;
- Security of supply within Europe for critical defence technologies;
- Support for new technologies and advanced concepts (emerging, disruptive, or coming from other sectors) that can have a major impact on future defence capabilities and systems.

In addition, EU-funded research activities can only have EU-added value when they do not duplicate existing efforts. The PA and its follow-on programme should therefore be clearly distinguishable from, and should neither substitute for, nor inhibit other research programmes, but can complement them:

- National research Programmes, financed from national budgets, and addressing national military requirements defined by individual Member States within the context of the national sovereign issues of defence. These programmes are supported by national DTIB's, and should remain separate from the proposed EU programme.
- Inter-governmental cooperative research programmes conducted and financed by a group of Member States to address together common military needs (for example some of the B-type projects managed by EDA). By pooling and sharing their efforts, these Member States can also profit from capabilities created by their partners. The focus, however, remains at national level.
- EU-funded civil and dual use research, including the civil part of CSDP which is already partially addressed under the Horizon 2020 programme, in particular through the security component.

### **Defence-specific rules, conditions and governance**

There are some specificities in the defence sector, which impact on defence research:

- The defence market is monopsonic in nature, with only one public customer per member state;
- National MoDs (as final customers, and in charge of providing the necessary technologies to the final users) determine the capability requirements;
- Very long time scales are involved in the development and life cycle of complex defense systems;
- Defence activities are by nature sensitive and therefore subject to specific national rules for handling classified information and export control.

Any EU defence research programme must take these specificities into account. To achieve this, the experience accumulated with EDA over the past 10 years, together with the previous EUROPA MoU, should be taken into account in the definition of the scope and of the governance to be put in place for the PA and its follow-on defence research programme. Consequently, the conditions of the current Framework Programme, as laid out in EU Regulation 1290/2013, need to be modified for CSDP-related defence research. In particular:

Funding levels: 100% funding to industry should be considered the norm. This level of funding is current practice in most national defence R&T programmes and in cooperative defence research programmes in Europe. Due to the monopsonic nature of the defence market, industry should not be expected to co-finance.

Third countries participation: For strategic and security reasons, EU funding for defence research should be reserved for EU Member States only. However, participation of non-EU European allies, in particular those who contribute to CSDP missions, in EU projects



under their own funding may be decided on a case-by-case basis, provided the appropriate security arrangements (e.g. for the protection of classified information) are in place.

Pre-qualification: In order to ensure the eligibility of participants, we recommend a pre-qualification process for the candidates, aligned across Europe and based on inputs from national security authorities.

IPRs: Intellectual Property Rights (IPR) are essential for defence industries. They have as much impact on innovation as on competitiveness. Consequently, although the details are still to be formulated, rules for handling of IPRs must take into account:

- The interests of both those who fund the project and those who receive funding;
- The ownership of results shall be vested in the operator generating them.
- The operator must retain hundred percent ownership of its background IPR.
- The contractual scheme: in case of a procurement contract, the customer(s) should be defined and user rights for such customer should be the counterpart of the payment of the contract price. In case of a grant agreement, the user rights should rest with the operators carrying out the research; EC and Member States would get rights such as those set out under article 49.2 of EU Regulation 1290/2013.
- Further access by non-EU customers to products developed on the basis of the EU research programme must follow EU and national defence security regulations (export licenses, end user certificates, etc.).

Dissemination of results: Defence research results are sensitive and subject to classification. Specific regulations have to be determined which take into account national practices of the Member States.

Evaluations of proposals: independent expert groups should be created for the evaluation of proposals. Expert group members should be nominated by Ministries of Defence. The nominations should include industry experts on a no-conflict of interest basis. Transparent and discriminant evaluation criteria should take into account excellence, EU-added value (as outlined above), value for money, and subsequent market exploitability.

Governance: The existing governance structure for the current Security Programme, with an Advisory Board (stakeholders) and Programme Committee (Member States) as well as independent expert groups for proposal evaluations, seems an appropriate model for defence research. However, the specificity of the defence sector, and the crucial role of industry for defence research, must be fully reflected in the mandate and composition of the Advisory Board. ASD, as the representative body of European defence industry, is an appropriate interlocutor for this purpose.

### **Recommendations for first R&T priorities**

We expect the details of the PA to be better defined during 2016. Currently, the debate on the most appropriate method to define the content of EU- funded defence research is still on-going (mission driven, capability driven, technology driven, etc.). Therefore, it would be premature at this stage to cite specific technology or capability areas on which the PA should focus.

However, since the primary purpose of the PA is to test conditions for a more substantive programme in the next Multi-Annual Financial Framework, we recommend that its projects should be used to explore all possible approaches. The PA should therefore foresee at least one project in each of the following categories:

- Fostering interoperability and common standards;
- Support for CSDP Mission;
- Capability driven technology demonstrator;
- Ensuring European technology security of supply;
- Exploring technology with likely high defence impact.

In addition, it is too early to propose priorities for the various defence sectors; this will be done subsequently, involving all relevant stakeholders. The following preliminary list is therefore offered simply by way of example, and is in no way intended to be exclusive:

- Autonomous and unmanned systems for all sectors (air, land, maritime, space);
- Interoperability of Command and Control systems for joint network enabled capability;
- ISR (Intelligence, Surveillance, Reconnaissance);
- Assured and robust communications, including government satellite communications.

### **CONCLUSIONS AND WAY AHEAD**

European industry fully supports the EC's initiative of a Preparatory Action on CSDP-related research as a first step towards a full scale EU-funded defence research programme. This Paper offers some initial thoughts on the basic conditions of this PA, based on preliminary discussions with the Commission. Further discussions at technical and political level are necessary to flesh out all the details of the PA. European industry is fully committed to support this process through ASD and willing to give its input to all appropriate fora.

Most important for industry in this context is market uptake: to generate new capabilities and strengthen the EDTIB, EU-funded research must lead to concrete



procurement projects. This is politically and institutionally challenging, since the final customers will be national MoDs.

Therefore, the PA must explore ways to bridge this gap between EU-funded research and national procurement. This issue should be discussed in the Group of Personalities which will be set up by the EC.

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