

European Industry's views on

the Proposal for a Regulation establishing the

European Defence Industrial Development Programme

28 September 2017

- ***EDIDP is needed***

ASD welcomes the proposed EDIDP as an important contribution to strengthening the European defence industrial and technological base (EDTIB) and enhancing Europe's strategic autonomy, as stipulated in the Global Strategy for the Union's Foreign and Security Policy. The EDIDP has the potential to boost European cooperative defence programmes and thereby address some of the key challenges industry is facing: lack of new programmes and investments, fierce international competition and increasing difficulty to maintain a highly-skilled workforce.

- ***EDIDP should be consistent and complementary to European research programmes***

EDIDP is a natural complement to the already ongoing Preparatory Action for Defence Research and should be consistent and complementary to the future European Defence Research Programme (EDRP). The focus of EDIDP on the development phase, including close to market capabilities, seems to be the right approach, as it can provide a strong incentive for Member States to proceed towards common acquisition.

- ***EDIDP should be significant and complementary to national funding***

The proposed €500 million EDIDP budget for 2019/20 seems appropriate for testing EU support for cooperative development within the limitations of the current Multi-Annual Financial Framework. The budget of the follow-on programme (post 2020) should be substantially higher in order to make a real difference and address the full spectrum of required capabilities. Moreover, in order to bring real added value, EU funding should be complementary to, and not lead to a reduction in national funding. Given the specificities of the defence market, it is essential that the funding is at a level that ensures that the totality of industry's costs is covered.

- ***EDIDP rules for participation should be simple and efficient***

EDIDP should lead to the launching of new European collaborative programmes and not add to the complexity of their management. The rules for participation foreseen in the proposal seem largely well thought through and calibrated. ASD supports the proposal to allow actions with at least three undertakings from two Member States, provided this does not disadvantage European companies with several legal entities across the EU. We also note with satisfaction the provision on intellectual property rights.
- ***EDIDP should benefit small and medium-sized enterprises (SMEs)***

ASD welcomes the intent to ensure that SMEs can benefit from the EDIDP. At the same time, the ultimate objective must remain the competitiveness of the supply chain as a whole, which also means companies larger than SMEs, since they often have essential specialist defence skills, facilities and capabilities that most SMEs simply cannot sustain. Whatever option is chosen to foster SMEs participation in the EDIDP, it should not jeopardize the efficiency of the projects or lead to non-optimal capability solutions. All EU companies, irrespective of their size and location, should have a fair chance to participate in the EDIDP, whether directly or through the supply chain. At the same time, the prime contractors must remain responsible for choosing the best sub-contractors, to ensure the competitiveness of the final product.
- ***EDIDP should support the European defence technological and industrial base***

Industry supports the intention to restrict EU money to genuine EU beneficiaries and genuine EU programmes. However, we do not believe that majority ownership is a suitable criterion to achieve this objective. What matters more (in particular in respect of European strategic autonomy) is the effective control of the beneficiary, which is often ensured by government's role as regulator and customer and other means (e.g. golden shares, IPR ownership, source of R&T funding, etc.). The regulation should take this into account and ensure that the action is executed in the EU and without control or restrictions from third countries. Participation from third countries should be accepted only under conditions which ensure that this contributes to the strengthening of the EDTIB and Europe's strategic autonomy. The leadership of any EDIDP-funded action – and therefore the design authority - should always be in Europe.
- ***EDIDP governance must involve Member States***

Member States' role in the definition of defence capability needs is crucial. A shared political will of EU countries to undertake a common programme, convergence of needs, budgets and time schedules are essential for the success of collaborative programmes and to deliver on time and budget. Accordingly, suitable financial & contractual mechanisms and close coordination between Member States and the European Commission are indispensable for EDIDP to become a success. On exports, we welcome the commitment to leave all decisions exclusively in the hands of Member States.

To conclude: Cooperative defence programmes are by their nature complex (various stakeholders, multiple funding sources, different legal jurisdictions and procurement processes, etc.). Adding EU funding to this with minimal additional complexity will be the key to the success of the EDIDP. In a nutshell: The Golden Rules of successful cooperative programmes must be followed: lean processes, single-point leadership, a strong participation and commitment from Member States to the acquisition road, and a single set of specifications. ASD stands ready to engage in a structured dialogue with the European institutions to ensure successful implementation of the EDIDP.
