

EDA Supply Chain Action Plan

Background

A strong, healthy and competitive European Defence Technological and Industrial Base (EDTIB) is a prerequisite for developing and sustaining defence capabilities and securing the strategic autonomy of Europe. Such EDTIB rests not just on original equipment manufacturers or prime contractors supplying systems-of-systems but also on range of intermediate companies and small and medium sized companies (SMEs). Both intermediate companies as well as SMEs are increasingly important as a source of innovation and act as key enablers for the European competitiveness in global defence markets. Their role and importance was recognised already in the European Defence Technological and Industrial (EDTIB) Strategy agreed by the Defence Ministers on 14 May 2007 stating that the “vision of a healthy, competitive and integrated future EDTIB will not be realised if our market-opening efforts are perceived to be simply a bonanza for the large prime contractors and first tier suppliers”.

Against this backdrop the EDA has addressed supply chain issues in various contexts and from different perspectives. Analyzing Key Industrial Capabilities has provided the EDA with in-depth knowledge on the air, naval and land supply chains, their specificities and challenges. In the European Defence Equipment Market (EDEM) the EDA has promoted overall transparency, competitiveness and openness of the supply chains as well as level playing field for all different market actors. Special attention has been paid to SMEs and their access to information, business opportunities and funding. One of the concrete tools established was the Code of Best Practice in the Supply Chain, supported by the Electronic Bulletin Board, promoting and encouraging increased competition and fair opportunities for all suppliers in defence supply chains.

The dynamics in this specific market segment are now facing a major transformation. Fiscal austerity combined with the fragmentation of European demand and supply are turning European defence suppliers more and more towards export markets. Fierce competition in these markets as well as the move from protected national defence markets to more open and competitive European markets put special emphasis on the cost-effectiveness and efficiency of supply chains. Declining defence budgets are also affecting the sustainability of the whole defence supply chain in Europe, from the prime contractor, through the range of intermediate suppliers to SMEs. In addition the new regulatory framework (Defence and Security Procurement Directive 2009/81/EC) while emphasizing the need to develop and disseminate best practice on supply-chain management in the defence also changes the market environment. The provisions on subcontracting, security of supply and security of information are particularly important for all suppliers.

In this context, specific actions need to be developed and implemented to give a fair chance to all suppliers in the defence supply chain. At the same time the complexity of defence supply chains as well as the specificities of defence market ranging from export control to security of supply have to be fully recognized and respected. EDA, together with the European Commission

and Industry Associations, can play a significant role amongst other things through promoting transparency, fair and equal treatment of suppliers, cost effectiveness and cross-border industrial cooperation along the whole European defence supply chain.

Objective

The objective of this Supply Chain Action Plan (SCAP) is to address supply chain related issues in a comprehensive manner to promote the creation of a globally competitive EDEM and to strengthen the EDTIB. This goal can be achieved by:

- Establishing a common understanding of the key elements surrounding the European Defence Supply Chain;
- Improving information sharing within the European Defence Supply Chain;
- Developing measures supporting the depth and diversity of European Defence Supply Chain;
- Developing measures enhancing the effectiveness of the European Defence Supply Chain; and
- Evaluating and monitoring the evolution of the European Defence Supply Chain.

Actions

The following proposed measures will form an integral part of the EDA Action Plan to support defence industry supply chain:

- a) **Establishing a common understanding of the key elements** surrounding the European Defence Supply Chain
 - Analyse/define the European Defence Supply Chain and its key elements (including strengths, opportunities, weaknesses and threats) based on existing study results such as in the area of Key Industrial Capabilities and further analysis to be performed in the area of Security of Supply;
 - Identify and understand other stakeholders' roles in the supply chain (pMS' contracting authorities, EDA, European Commission, National Defence Industry Associations (NDIAs), AeroSpace and Defence Industries Association of Europe (ASD), Research and Technology Organisations etc.).
- b) **Improving information sharing within the European Defence Supply Chain**
 - Further develop web based tools in order to improve the access to information and business opportunities and promote matchmaking, clustering and best practices along the whole Supply Chain;
 - Create and develop Defence Supply Chain Networks (DSCN) including NDIAs, ASD, SMEs Associations, defence-related clusters and other relevant participants;

- Explore other means to improve access to information and business opportunities (e.g. Primes using dedicated portals to present the subcontract opportunities, B2B events (primes and suppliers) encouraging a regional approach with cross-border participation);
- Consider organising an annual European Defence Industry Symposium (EDIS);

c) Supporting the depth and diversity of European Defence Supply Chain

- Explore the synergies with wider EU policies in view of promoting access to the various EU funding mechanisms (e.g. European Structural Funds, Horizon 2020, COSME);
- Identify and promote the practices on other specific funding mechanisms along the supply chain;
- Explore means to improve cross-border cooperation on innovative research and technologies (e.g. by improving the R&T planning process, enhancing the role of Industry's representatives in the EDA CapTechs and working groups);
- Identify pilot cases in specific areas with impact to the supply chain (e.g. examples of dependence on non-European sources for key defence technologies) and develop concrete actions to support the European Defence Supply Chain ;
- Reinforce the NDIAs Best practices by providing recommendations to supporting the development of the Supply Chain at European level;
- Contribute to the creation and development of the networks between defence-related clusters;
- Open some of the measures currently focused on the SMEs, as well as including additional ones, to the entire supply chain (also to companies that are bigger than SMEs but that are not prime contractors), with a particular focus on dual-use activities and cross-border cooperation.

d) Enhancing the effectiveness of the European Defence Supply Chain

- Seek means to alleviate the defence procurement related administrative requirements e.g. by identifying possibilities for harmonising or working on mutual recognition of information required for tendering (art 39-46 of Directive 2009/81/EC) between pMS;
- Identify Member States' practices in registration/certification of economic operators at the national level and explore possibilities for mutual recognition at European level;
- Support the efficient use of the subcontracting provisions of Directive 2009/81/EC (at pMS and Industry levels) by sharing lessons learnt and best practices and by developing concrete models for applying them;
- Develop other tools and measures to promote the European defence industry's access to cross-border subcontracting opportunities;
- Address IPRs along the Supply Chain in order to improve Supply Chain exchanges;

- Identify the impact of Security of Supply/Security of Information requirements on Supply Chain;

e) Evaluating and monitoring the evolution of the European Defence Supply Chain

- Undertake regular targeted meetings/information sessions with stakeholders at bilateral, regional and European level;
- Monitor the impact of Directive 2009/81/EC on Supply Chain as part of the EDTIB;
- Assess every year the impact of the SCAP and its actions and adapt them as when necessary.