



HOUSE OF LORDS

European Union Committee

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34th Report of Session 2006–07

**Current  
Developments in  
European Defence  
Policy**

Report with Evidence

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Ordered to be printed 24 July 2007 and published 6 August 2007

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Published by the Authority of the House of Lords

*London* : The Stationery Office Limited  
£price

HL Paper 161

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The Members of the Sub-Committee which carried out this inquiry (Foreign Affairs, Defence and Development Policy, Sub-Committee C) are:

Lord Anderson of Swansea	Lord Lea of Crondall
Lord Boyce	Lord Roper (Chairman)
Lord Chidgey	Lord Swinfen
Lord Crickhowell	Baroness Symons of Vernham Dean
Lord Hamilton of Epsom	Lord Tomlinson
Lord Hannay of Chiswick	

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### **Oral Evidence**

<i>Lord Drayson, Minister of State, Defence Equipment and Support, Ministry of Defence;</i> <i>Mr Andrew Mathewson, Director, Directorate for Policy on International Organisations;</i> <i>Mr Robert Regan, Director, International Relations Group, Ministry of Defence</i>	
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# Current Developments in European Defence Policy

## REPORT

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1. In this Report we make available, for the information of the House, the oral evidence given to Sub-Committee C (Foreign Affairs, Defence and Development Policy) by Lord Drayson, Minister of State, Defence Equipment, and Support, at the Ministry of Defence, accompanied by Mr Andrew Mathewson, Director of the Directorate for Policy on International Organisations and Mr Robert Regan, Director of the International Relations Group, Ministry of Defence, on 12 July 2007; and the correspondence from the Minister.
2. Key topics in the evidence are:
  - The role of the European Defence Agency (EDA) as an organisation in a “start up” phase (QQ 1, 5);
  - Force Protection Initiative and the UK’s decision not to participate (QQ 5–7);
  - Defence procurement collaboration policy (QQ 8, 9, 16, 19–23);
  - Interoperability and standard setting within the EDA (QQ 9, 10);
  - The EDA’s Code of Conduct on defence procurement and the bulletin board (Q 11);
  - The size of the EDA’s budget and its effective use (QQ 12, 13);
  - The Defence Technological and Industrial Base (DTIB) strategy (QQ 14–16, 19);
  - The security of defence supplies (QQ 17, 18);
  - Procurement cooperation with France (QQ 19–22, 24);
  - International Competition (QQ 22, 23);
  - Cooperation with the United States (QQ 24, 25);
  - Battlegroups and issues relating to deployment and self-certification (QQ 26–37, 41, 42);
  - Defence spending by EU Member States (Q 38);
  - Milex 07 (Q 43, 44);
  - The relationship between the Military Committees of NATO and the EU (Q 45).

## **APPENDIX 1: SUB-COMMITTEE C (FOREIGN AFFAIRS, DEFENCE AND DEVELOPMENT POLICY)**

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The Members of the Sub-Committee which conducted this Inquiry were:

Lord Anderson of Swansea  
Lord Boyce  
Lord Chidgey  
Lord Crickhowell  
Lord Hamilton of Epsom  
Lord Hannay of Chiswick  
Lord Lea of Crondall  
Lord Roper (Chairman)  
Lord Swinfen  
Baroness Symons of Vernham Dean  
Lord Tomlinson

### **Declaration of Interests**

A full list of Members' interest can be found in the Register of Lords Interests:

<http://www.publications.parliament.uk/pa/ld/ldreg.htm>

## **APPENDIX 2: REPORTS**

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### **Recent Reports from the Select Committee**

Evidence from the Minister for Europe on the Outcome of the December European Council (4th Report, Session 2006–07, HL Paper 31)

Government Responses: Session 2004–05 (6th Report, Session 2006–07, HL Paper 38)

The Commission's 2007 Legislative and Work Programme (7th Report, Session 2006–07, HL Paper 42)

Evidence from the Ambassador of the Federal Republic of Germany on the German Presidency (10th Report, Session 2006–07, HL Paper 56)

The Commission's Annual Policy Strategy for 2008 (23rd Report, Session 2006–07, HL Paper 123)

Further Enlargement of the EU: Follow-up Report (24th Report, Session 2006–07, HL Paper 125)

### **Session 2006–2007 Reports prepared by Sub-Committee C**

Current Developments in European Defence Policy (1st Report, HL Paper 17)

Current Developments in European Foreign Policy (16th Report, HL Paper 76)

The EU and the Middle East Peace Process (26th Report, HL Paper 132)

Current Developments in European Foreign Policy: Kosovo (32nd Report, HL Paper 154)

### **Session 2005–2006 Reports prepared by Sub-Committee C**

Current Developments in European Foreign Policy (26th Report, HL Paper 124)

Current Developments in European Defence Policy (27th Report, HL Paper 125)

Seventh Framework Programme for Research (33rd Report, HL Paper 182) (prepared jointly with Sub-Committee B)

The EU and Africa: Towards a Strategic Partnership (34th Report, HL Paper 206)

Current Developments in European Defence Policy (35th Report, HL Paper 209)

Current Developments in European Foreign Policy (43rd Report, HL Paper 228)

Europe in the World (48th Report, HL Paper 268)

The EU and Africa: Follow-up Report (49th Report, HL Paper 269)

# Minutes of Evidence

TAKEN BEFORE THE SELECT COMMITTEE ON THE EUROPEAN UNION  
(SUB-COMMITTEE C)

THURSDAY 12 JULY 2007

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Present	Anderson of Swansea, L	Lea of Crondall, L
	Chidgey, L	Roper, L (Chairman)
	Crickhowell, L	Swinfen, L
	Hamilton of Epsom, L	Tomlinson, L

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## Examination of Witnesses

Witnesses: LORD DRAYSON, a Member of the House, Minister of State for the Ministry of Defence, MR ANDREW MATHEWSON, Director, Directorate for Policy on International Organisations, and MR ROBERT REGAN, Director, International Relations Group, Ministry of Defence, examined.

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**Q1 Chairman:** Minister, we are very grateful to you for coming to meet the Sub-Committee this afternoon and we are very glad to see that you have Mr Mathewson and Mr Regan with you who we have met before. We do try to have two sessions a year looking at the ESDP part of our remit and it is particularly useful, given that you were at the meeting in May, that you have been able to come and talk to us today. I do not know whether you have any general opening statement on the scope of defence policy within the European Union or whether you would prefer to go straight into the questions?

*Lord Drayson:* Just very briefly perhaps to say that it is early days with the development of this initiative and we do think that the EDA has got off to a reasonably good start but it needs to be given the opportunity and time to mature. We have a particular policy with regard to how we think it can most effectively be developed. I think last time I was in front of the Committee I described it almost as trying to encourage a start-up culture rather than a big bang organisation. We believe that so far, so good and we need to maintain that policy.

**Q2 Chairman:** Thank you very much indeed. Mr Witney has now come back from Brussels, has he not, or is on the point of coming back?

*Lord Drayson:* He is just about to.

**Q3 Chairman:** Would it be possible perhaps for the Committee to meet him at some stage after he has returned for him to talk to us about the EDA?

*Lord Drayson:* I think that would be a very good idea because the Committee would benefit from his perspective of trying to make this work. His views have developed a little bit over the time that he has been doing the job.

**Q4 Lord Anderson of Swansea:** Is he still in the same broad field within the Ministry of Defence?

*Lord Drayson:* No. In terms of his position within the Ministry of Defence, I am not quite sure what his career plans are next.

**Q5 Lord Lea of Crondall:** In answer to a question which the Minister posed to himself, "What is all this for", I think he said to encourage a start-up culture rather than some big bang, or something like that. What does that mean? We can all imagine that it might be nicer if we all had the same sort of helicopter or something but what do you mean by a start-up culture as the centre of the policy?

*Lord Drayson:* We do believe that there is a role for an organisation such as the EDA, but what is important is that the EDA identifies those particular aspects of defence equipment procurement where it, as an organisation, can uniquely add value and not duplicate what other organisations are already doing or what each of the partner nations may feel it is already pretty effectively doing itself. A particular example of that is where we had an issue with the Force Protection Initiative where we did not feel that we, as a country, would benefit from participating in that particular programme and others did. This idea of a start-up culture for me really is rather than the partner nations providing the EDA with a very substantial budget which then gives EDA the opportunity to look at too many things rather than focusing on those things where we can really make a positive difference, by not giving it too much money to start with, forcing it to focus and identify where the new added value can be created it is much more likely to get off to a good start, be seen to be a good thing by the participating nations and then as success is generated we can provide it with more budget as required and in doing so avoid unnecessary bureaucracy. That has been the British position;

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other nations have not necessarily shared that. Where we stand at the moment with the level of budget that EDA is operating at, we have got a reasonable balance.

**Q6 Lord Anderson of Swansea:** Minister, you mentioned force protection and there is a joint investment programme but we have decided not to participate, in part because we have our own national programme. I am a little puzzled by that because clearly with our own national programme we have, or will develop, an expertise which will be highly relevant to other participating members of the EDA, they could benefit from that. Why do we stand aloof from it? What is the principle behind that?

*Lord Drayson:* I think the principle is firstly that we do, as a general principle, separately from the EDA share with our coalition partners expertise, equipment and know-how that we develop, particularly in areas such as force protection because clearly there is a benefit for all nations in terms of having access to the latest thinking, particularly in an area where the threat is changing quite quickly. There are particular aspects where we think the UK has got to a position where it has invested a substantial amount of money and has developed its own tactics and procedures around force protection, therefore if it participates in this force protection exercise it is effectively paying twice. We did not feel that in that particular area this EDA project was going to be able to add anything new. We do think, given that the EDA has a limited budget and a limited focus, there are areas where if the EDA focused we would fully wish to participate because there is an added value to doing that. What we wanted to avoid was being forced to participate in programmes where we had already invested in those programmes and in doing so we would effectively be paying twice.

**Q7 Lord Anderson of Swansea:** With respect, it is not a question of being forced. By participating with the expertise that we have built up surely we would be able to mould some of the procedures and influence those procedures in ways which are of benefit to us. Ultimately, presumably if there were joint procedures we would have to accept those, so why not be there at the ground floor adding our own expertise to it?

*Lord Drayson:* Because we felt the focus of this would be investing valuable defence funding and research funding in an area where we had already made that investment. Fundamentally it boils down to a difference of opinion within the partner nations which will, we have to face up to, face us again and again when we look at issues for defence equipment collaboration within the EDA, which is that some nations invest a much greater amount of money and have much greater level of investment, expertise and

capability than other nations and are at a higher level of military development and technological development. In some cases it is about the level of technology development; in other cases it is to do with the sophistication and nature of the armed forces themselves. For example, when you look at Europe the predominant investment is being made by the United Kingdom and France. Other countries who are members within this collaboration are not so developed and would like to piggyback on the investment in technology and research and development which has been made by other countries. There is a balancing act that has to be made because do you level up or do you level down? From our point of view we come from the position in terms of national interest, that we want to do is bring people up and we want to focus people's areas of collaboration in those areas where it would provide added value for all of the nations concerned rather than it being a situation where we are faced with aiming to develop capability at a lower technological level. I think the biggest challenge this faces us is in the research and development area. Force protection was an example of that but we are going to face that in other areas in the future too.

**Q8 Lord Hamilton of Epsom:** Minister, do you accept that we have rather been here before? There has been a whole mass of European collaboration on procurement projects, most of them have been pretty disastrous, have run massively over-cost and been so late, and one thinks of Eurofighter as a classic example of something that was designed for the defence of the United Kingdom from the Soviet threat and the Soviet Union disintegrated and we found we did not really need the aeroplanes at all. I am delighted that we are not getting involved in force protection if we do not think that our interests are in so doing because we also have a history in the past of getting involved in things and then ducking out of them, and one thinks there of medium-range TRIGAT, for instance, which we pulled out of and had nothing more to do with. What is really new about all this and are we not in danger of going down the same rocky path that we have been down in the past?

*Lord Drayson:* I accept that the history of defence procurement collaboration both in Europe and between ourselves and the United States does have some pretty poor examples. It also has some successes, and an example of real success was the Storm Shadow/SCALP missile programme. The very important point is that we learn the lessons of where it has not gone well and we apply principles in the way in which we run these programmes to make them effective. If I could just make one particular point: you mentioned Typhoon, and you are correct in that that programme aimed to develop a fighter which is

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primarily an air-to-air combat fighter against the Soviet threat, nonetheless as the security situation has changed the United Kingdom still needs a first rank air defence fighter for the UK and, coincidentally, the Typhoon went operational yesterday protecting the airspace of the southern United Kingdom. We do need a fighter to do that job but what we also need to do is to develop the Typhoon fighter to have a broader capability in terms of ground attack, and it is being developed to do that. You will see the Typhoon in the field in Afghanistan next year in a close-air support role showing that industry and the Ministry of Defence have adapted the fighter to the current situation. Why is it worth going through the additional hassle and complication of international collaborations? The answer is that the nature of the threats that we face and the complexity and scale on costs of the technological solutions to meet them necessitate these collaborations. It is just not feasible for countries to be able to field themselves the complete range of military capabilities that they need. Our policy within the United Kingdom is to be pragmatic, to collaborate with European partners where it is in our interests to do so, not on some sort of political agenda but because that is what is in the interests of the National Defence Strategy, and with the United States on a case-by-case basis. We are implementing policies now which learn the lessons of the past, and I turn to a recent one which is the aircraft carrier project where we are collaborating with France but on a set of principles where that collaboration does not negatively impact the time to delivery and the cost of the British aircraft carriers, and I do believe this will be done.

**Q9 Lord Chidgey:** It is quite difficult because Lord Drayson has opened up so many interesting options in his opening comments that it is difficult to stick to the agenda. Can I ask one question on the back of your opening remarks, Minister. You talked about the difficulties and the tensions of some of our partners wanting to level down the limits of their political ambitions—

*Lord Drayson:* And their budgets.

**Q10 Lord Chidgey:** And we are trying to maintain a higher standard because of our objectives. Is there another dynamic here which influences this, and that is as part of our policy we are always aspiring to attain interoperability with our American allies, which is very challenging, I understand, in terms of R&D and budget and so forth? How much of that is an influence on the dynamic tension between our European neighbours and allies and, of course, our fundamental military ally, the United States?

*Lord Drayson:* It is a fundamental issue which is another reason why the EDA is a very good thing. Providing that the EDA focuses in areas where it can make this real added value difference I think the EDA is to be supported by the United Kingdom and is in the national interest. An example is setting standards for those pieces of equipment which determine whether interoperability happens or not. A key example where the EDA is just starting to look at this is in the networking of communications systems and computer systems. Increasingly, all pieces of military hardware rely upon communications, rely upon sophisticated computing technology, but we do not have good interoperability across NATO, across the EU, and this is something that needs to be developed. This is about setting standards, not letting the standards be set by the defence industry because obviously a defence company will try and set the standard relating to its own particular operating system. From the United Kingdom we are trying to encourage the EDA to focus on the development of standards which are compatible with the US and which set a framework which allows European industry to develop pieces of equipment to that standard which then allows them to be effective and to have export potential. At the last meeting on 14 May I particularly tried to encourage the EDA to look at the whole area of unmanned air vehicles. We are seeing a real development in Afghanistan and Iraq in the use of unmanned air vehicles to give surveillance over the battlefield. Clearly this technology is going to come to Europe. Having the capability to have a UAV to look over UK airspace would be very helpful in terms of dealing with certain types of counter-terrorist operations. The regulations do not allow it at the moment, so we can fly these things in Afghanistan but we cannot fly them over the United Kingdom even though we have them. It would be fantastic if the EDA helped Europe develop the standards to allow these things to be used and to do so in such a way which enables such systems, if developed, to be exportable to other parts of the world. This is an area where the EDA can really add some value.

**Q11 Chairman:** Thank you very much. I wonder whether I could put a question to you, Minister, about the EDA Code of Conduct on Defence Procurement. What evidence do we have already about the UK industry using the Code of Conduct? The second question is I know that not all the members of the EDA have signed up to the Code of Conduct, but is there evidence that other nations are following and accepting the obligations of the Code? *Lord Drayson:* I think that the best evidence in the implementation of this is the use of this electronic bulletin board for posting contracts. As of 28 June we saw that 15 states had placed 185 contract notices on

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the bulletin board to a total value of €7.5 billion. The good news is that has happened. Without the Code of Conduct, the bulletin board, that would not have been done and, therefore, the companies within the network would not have known about those projects, so there is positive evidence that it is happening. We have got one example where a British company has received an order from Sweden for a particular project and that would not have happened previously. I think we can be encouraged. We need to continue to push the governments to do this and equally for industry to pay attention to these bulletin boards and to exploit this opportunity.

**Q12 Lord Tomlinson:** Lord Drayson, if I can move on to the questions of EDA funding. In his annual report, the Head of the EDA hinted that the EDA could do even more if it was given additional resources to do so. Do you believe this? Do you believe the money would be effectively and efficiently spent if there were a larger budget, particularly bearing in mind that as we view it from the outside it seems that the Brits have been at the forefront of the campaign for a restricted budget, so when you say given the fact that the EDA has a limited budget, it seems to be in accordance with our wish that it has a limited budget but also against the wish of many of our partners who would have liked to have seen a more substantial budget. As we are at the centre of this fight for restricted budgeting, are we really satisfied that it needs any more resources, that it has the capacity to use them or has the capacity particularly to use them efficiently and effectively?

*Lord Drayson:* I think you have put your finger on it absolutely about the ability to use the budget effectively. This is the principle that we have adopted in negotiating this point. We are three years into this. We do hope and expect that as the EDA is successful and grows and shows the value it has created then its budget will be increased, but we want to make sure that is done in a way which builds on success and therefore starting off small, and we accept we have been negotiating from the start for a smaller budget, then the very nature of that limited budget forcing the EDA to think very clearly about what is most important and what can it add the most value in and the EDA being set up as an organisation to do that, and as we go forward and see the success there is a good argument for the budget to be increased. What we were concerned about was that if it started off meeting the aspirations of certain countries for a very large budget we would end up with a bureaucratic organisation without a clear focus. The EDA has been working hard on the development of strategies. This start-up mentality idea is about saying the first thing the EDA should do is think about what it is the EDA is about and where it can add value. Let us get that clear, let us get that all agreed and recognise

there are conflicts in terms of where the different nations are in terms of their level of resources, their focus on defence and so forth, let us get that straightened out, let us get some good projects going that we can all buy into, and then on the basis of that success a few years into this let us start to provide it with more money.

**Q13 Lord Tomlinson:** If I could just follow that up. Do you think you have persuaded colleagues who are participants in the EDA to that point of view? Are we going to manage to get a triennial budget out of this process because we failed last year and you won by getting the lowest common denominator, ie the argument against change? In this process, have we got any agreement with our colleague participating countries on what, in your opinion, should be the measures determining efficiency and effectiveness?

*Lord Drayson:* I will turn in a minute to my colleagues who have a lot more experience in this than I do as to whether or not they feel we are winning the argument. The sense that I had from the meeting I attended in May was that provided the United Kingdom is clearly being seen to be an enthusiastic member of this, but with some clear views about what it should be doing and not being dragged kicking and screaming to be a participant, the UK's approach to this is consistent with this focus on the areas of added value that I described and that we are seen as supporting the issue of the increase in budget where that is based upon success and delivery in the way in which I have talked about then I do believe that we can win the argument. However, we should not underestimate that we are in quite a different place from a large number of the other members of this joint effort just because of the nature of the investment we put in defence, the pressure on operations which we are under at the moment and the level of development of our industry. We have to recognise that we are the world's number two defence equipment nation after the United States, so within Europe we are the leading nation and, therefore, we come from a slightly different place from other nations. What do you think?

*Mr Mathewson:* I think in terms of your specific question on where the debate on the budget is going, it is more or less on our terms rather than on the terms of those who are very much more ambitious. The focus of discussion tends to be the size of the operation budget for the following year. If you think back to last autumn, it was relatively easy to agree that the operational budget should go up from four million to five million, so a fairly modest growth. The area of controversy was looking out to the third year of the prospective three year timescale where there was a bid from the Agency for it to go up from five to ten by the third year. In terms of the close discussion about what next year is likely to be we are in broadly

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the same place and I would be surprised if the Agency bid for next year was very substantially greater than where they are this year in terms of the operational budget. It remains to be seen where they think it is sensible to pitch their bid for the third year. That has been the experience so far, that we could come to agreement fairly quickly on what next year looks like but those at the more ambitious end of the spectrum have particularly been challenging the outer years of the three years. At the moment I would not like to say. Like last year, I am reasonably confident we will find common ground for the 2008 budget but let us see what the bid is for the three year framework for years 2008, 2009 and 2010.

**Q14 Lord Lea of Crondall:** I am now into the territory of question three, if it helps to say that. In putting it, what are the objectives and main aspects of the recently adopted DTIB strategy, could I just continue the theme that we seem to be on in a sense. Could you give us, as it were, some real life examples of France, Germany, Italy, Spain or Sweden? What are we talking about here in having a strategy that people sign up to common standards of purchasing? The reason this is not a market question is presumably we are all purchasers and we all want to get value for money in purchasing presumably. What is the rationale when you translate it into operational meaning? Is this something that makes sense to the military at the operational end of it?

*Lord Drayson:* Yes. At the heart of this strategy is the conundrum that all nations face which is that unless industry is provided with sufficient orders for a particular type of equipment the capability that nation has will be lost because the industry over time will disappear. Given that defence equipment has become increasingly expensive, and the United States market is a huge market and dominates the landscape, the challenge for the United Kingdom and the majority of other nations in Europe is that, for example, with submarines in the United Kingdom, unless we buy a new submarine about every two years there is not enough work to sustain a submarine industry in this country. So we set out in the UK back in 2005 a Defence Industrial Strategy which for the first time set out how we would balance our procurement decisions such that we would ensure we could make the best judgments on how we could maintain capability and get value for money and, therefore, know that when the military needed a particular type of capability, a submarine for example, we would have the ability to get it. In the way in which that applies to the United Kingdom it applies to Europe too. We have to be clear in Europe about how we can work together in certain fields to maintain the capability for Europe and how we are going to operate our procurement processes. To give you a particular example where this could work very

effectively: armoured fighting vehicles. We are running a procurement programme within the United Kingdom at the moment for a new armoured fighting vehicle, it is called the FRES programme, and we have said that we are willing to consider vehicles which have been designed and manufactured in Europe, in the United States, in countries such as Sweden, Germany and France within this competition. It is an example of where there is this industrial base, the industrial base is important for the defence needed and I think it is important for us all to recognise that our policy within the United Kingdom is the defence need comes first, so what is firstly the military capability we need to deliver for the United Kingdom and how can we manage the industrial base to do that. This is about exploiting that our collaboration across Europe can make sure that over time, by pooling these resources and having a clear strategy, we can have the best likelihood of maintaining these important capabilities into the future.

**Q15 Lord Lea of Crondall:** Can I just check I have understood the essence of that. So it is not driven by the convenience of the manufacturers, it is not driven by the convenience of the Ministry of Defence, it is driven ultimately by the need for the ultimate users, the military, to have an industry which is going to serve what they want and, therefore, they have got to have some planning flow of orders. In that context, what is the point about Britain being independent? Are we expecting Operation Sea Lion, or something? On a scale of nought to ten all of these countries want to protect their independence, right?

*Lord Drayson:* It is not practical for countries to do that across the board. What we have done is recognise that there are certain areas of military equipment that we regard that it is essential for our defence interest, not talking about jobs, we are talking about defence, to have in the United Kingdom a sovereign UK capability. An example of that is a nuclear powered submarine. International treaties prevent you from buying a nuclear powered submarine on the open market but we need to be able to maintain our nuclear deterrent and be able to have that capability in the United Kingdom. We have set out in the UK's Defence Industrial Strategy, which provides effectively a list of those capabilities which we regard as having to have in the UK, those which we are prepared to collaborate on and those which we are happy to source from the global market.

**Q16 Lord Crickhowell:** Through this I have been wondering how you get from A to B. I entirely understand and totally approve of the tight approach in the initial start-up phase when you want to get something new, but going through the strategy document agreed on 14 May: "We cannot continue

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routinely to determine our equipment requirements on separate national bases, develop them through separate national R&D efforts and realise them through separate national procurements. This approach is no longer economically sustainable” and so on. You have added an element from the initial start-up phase that there are certain sovereign UK requirements that we have got to go on providing but the object at the end of the day in simple terms for Europe, I suppose, is that each country is not inventing and constructing the wheel independently and at some point we get beyond our present systems to move to these areas where we are going to co-operate and invent the next generation of the cart or whatever it is. What I do not quite understand, having listened to all the answers that we have had so far, is how one envisages moving from the immediate tight control of national interests to the point where we really are a number of countries developing whatever follows on from the wheel.

*Lord Drayson:* Firstly, we do come at this very much from the direction of what is in the UK’s national interest, in our defence interest. Secondly, we come at this from the perspective that we are pragmatic in choosing which type of equipment we believe we should collaborate on, which we think should do ourselves, which we think we should collaborate on with our European partners and which we think we should collaborate on with our US partners. I think the United Kingdom is in a particularly strong position in being able to do that and being able to take that pragmatic project-by-project approach. It is important for us to maintain that, to not find ourselves going down a US only approach or a European only approach. I do not want to give the Committee the impression that we think in time everything is going to be done on this joint basis; it is not. There are going to have to be significant areas of military capability, military equipment, which have to be done just by us here in the United Kingdom and we will have to afford them because if we cannot afford them we will lose them. There are others which we do think it is best for us to work on with other countries on a bilateral basis and others where we can work together on a more European-wide basis. It is about choosing these areas and being pragmatic in choosing them in terms of what is in the national UK interest to do so. The overall strategy, it is fair to say, is a high level aspirational document that sets out principles, but it gives a framework for industry to deliver against those principles and for projects to be looked at through the framework that the strategy set outs, and that is how I believe you get from A to B.

**Q17 Lord Chidgey:** I think we are now on to the nitty-gritty of the strategy of the Technological and Industrial Base, Minister. You have been quite reassuring in the way you have talked about the

importance of retaining our research and development capability in those areas that we believe to be vital for us, and I am grateful to hear that. There is also the importance, surely, of keeping the integrity of the supply of your armaments. You have talked, and talked very lucidly, about the importance of the high tech end, but I do remember reading in the first Gulf War that we had a problem with the supply of the ammunition for the standard issue rifle to the British troops because the country that supplied the bullets did not agree with the policy within themselves of us being there.

*Lord Drayson:* I think it was Belgium.

**Q18 Lord Chidgey:** To me that is a classic failure in ability to project the military force. The first question I have is, yes, okay for the R&D I think that is a sound approach, but what about when you start to outsource the whole of the procurement, how do you determine that you are going to keep that security of supply of the nuts and bolts, never mind the high tech?

*Lord Drayson:* You have put your finger on an important aspect of the interface between foreign policy, defence policy, politics and these decisions about capability. The approach which we are taking in the Ministry of Defence is to be pretty hardnosed about this, particularly in the context of being engaged on operations as we are, and we expect the operation in Afghanistan, for example, to continue for a considerable period, therefore what we have to do is make sure that we do not put ourselves in a position where our ability to undertake such an operation would be constrained because of a lack of security of supply of a certain element of the supply chain or a piece of equipment which we would need to do that. Pragmatically how do you deal with that, you deal with that through stock levels in terms of the contractual agreements that you reach between partner nations and you address those issues upfront. That particular example that you mentioned relating to the bullets, I was not around at the time but from I have been told, came as a bit of a shock at the time but it was a shock which has had an effect within the system and I do not believe that the Ministry of Defence would find itself in that position today.

**Q19 Lord Chidgey:** A follow-up to that answer and that aspect. There are two other factors that I would like to hear your views on, and that is the impact and effects in this regard of the major defence companies wishing to outsource their manufacture, their subcontractors and suppliers outside the United Kingdom. We often hear how important it is to keep the defence industry fed with orders but we do not often hear about the major manufacture companies looking for opportunities to outsource the work outside the United Kingdom to reduce costs. There is

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an issue there about how we can control or affect outsourcing to make sure we have reliability of supply. The other point, and I think this is very relevant in terms of your remarks about the future aircraft carriers, which is an issue dear to my heart as you know, working in collaboration with the French, is how much do you take into account the ownership of the companies that you are working with in EU countries? I am talking particularly about the fact that there is a preponderance of state ownership in some of our EU partner countries in the defence industry which does not exist in the UK which means that they must be more vulnerable to political decisions than they are to commercial decisions in those areas and, therefore, it makes the contracts that may be signed in a commercial way somewhat suspect to disagreements in a political vein. Can you give us some examples of how, in our interests as a nation, you are able to cope with differences of approach within political, commercial and defence establishments of our partner countries in the EU when working in collaboration.

*Lord Drayson:* We have shown over the last two years, after we published our Defence Industrial Strategy which addressed this issue head-on, that we are very robust in implementing our policy which recognises the dilemma we face as a country in that we have a policy as a government to effectively embrace globalisation, not to protect against it, to encourage and have the most open defence market here in the United Kingdom and to encourage foreign investment. We believe that is the way to (a) provide the best military capability to our forces and (b) to ensure that the UK defence industry continues to prosper and be competitive. The problem we have is that other countries do not see it in the same way, so our policy, and I say it is robust, is a policy which recognises that reality and when we are negotiating with those other countries about particular projects, to do so on the basis that we cannot expect them to change the way in which they operate, we have to deal with them as they are, and we need to protect the principles that we have really quite strongly and that means we allow companies to buy UK assets, we are open to foreign ownership of those assets, but the companies that acquire those assets, the management and the way in they operate, the location of the intellectual property, the location of the skills, has to be consistent with their industrial strategy which puts a big emphasis on location of intellectual property, access to design of property, so where we are very strict is about where the know-how is, where the skills are, because we know that we need to have access to that to be able to maintain our capability. Where that gets tested then I think we have shown as a government over the last year in particular—an example was Devonport Dockyard with the Joint Strike Fighter programme and in terms of the FRES

programme is another example—we have implemented very robustly those principles. I think that this is having an effect. For example, our relationship with France, which in the past has been effectively one-way traffic where it has been possible for French companies to acquire British companies but vice versa has not been the case, it has been possible for French companies to access UK procurement projects, but the opposite is not true, we have made it clear to France that this cannot continue and given that France, and a number of other countries, is in the position of looking to get the most military capability for the amount of budget it has, it is in its interest to open up its market. I am hopeful that by pursuing this robust line we are seeing real progress on that. An example is the aircraft carrier project and I hope there will be others. If I may reassure you and the Committee, we are not naïve in this, we do believe that we have the right policies which are in the long-term interests of the United Kingdom and in time are in the long-term interests of Europe to face up to the realities of globalisation. We are robustly making our case. Where we have the ability to pursue the argument, because we are a significant spender in defence, we will do so.

**Q20 Lord Anderson of Swansea:** I recall seeing figures, admittedly rather dated, at that time that only about three per cent of France's total procurement was from sources outside France. Has it changed markedly?

*Lord Drayson:* It has improved, but I do not think it has improved to the extent which we would like to see. I have been involved in really quite significant discussions with France.

**Q21 Lord Anderson of Swansea:** So there has been reciprocity?

*Lord Drayson:* Yes. What I detect is a change in mood in France towards this and a sense at the highest levels within France of a recognition of the issue and a need to do more to address that. The way in which I believe it gets addressed is on a project-by-project basis. It is just not good enough to be setting out high level political aspirations, it is about the reality happening. When we can see UK companies being able to acquire French companies, when we can see UK companies being able to participate in French procurement projects, then we will know we have made some progress.

**Q22 Lord Swinfen:** Minister, the recent conference on the EU Constitution, or whatever name you like to call it, appears to have had forced through by the French an ability for state aid to various industrial organisations. How is this going to affect the position and in particular how will it affect our own?

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*Lord Drayson:* I believe this is a real concern to us. In my role both as Minister for defence equipment and support in the Ministry of Defence but also in my new role as Minister for business, enterprise and regulatory reform, I have the responsibility for aerospace, and when one looks at Airbus in particular one can see a company whose management is trying to transition to normalised standards of international corporate governance where management clearly want to get to the point whereby the direction of the company is not dictated by—I am trying to think of the phrase—economic patriotism, but what is best for the business. Airbus has Boeing breathing down its neck. Airbus as a business for the good of us as a customer, for the Ministry of Defence, in terms of being able to access quality large aircraft which we need, like the A400M, for the United Kingdom, which is a major provider of parts of the Airbus aircraft, particularly the wings and the undercarriage, it is very important that Airbus as a company prospers. To prosper it needs to be free of political interference, the management needs to take the tough decisions they need to take in relation to the global market conditions in which they find themselves and we, within the United Kingdom, are clearly making the case for that as opposed to the company being dragged either the French way or the German way because of the particular views as to how it is seen as a national asset.

*Lord Lea of Crondall:* This is on the same theme, as you mentioned Airbus. I was going to raise it later. When the Defence All-Party Group met Airbus last week one of the questions that was put was what has this got to do with the European Union and the initial answer was “nothing” but all the supplementaries modified the answer. For example, the dispute with the United States has a lot to do with the European Union per se and trade policy, as you will know very well. Would it be fair to characterise your answer on something like that as being that it does not really matter if the French have a Bismarck-plus sort of philosophy as long as we have a level playing field in practice?

*Lord Anderson of Swansea:* Colbert rather than Bismarck.

**Q23 Lord Lea of Crondall:** All right, Colbert.

*Lord Drayson:* I think the level playing field point is very important but as important, although not directly connected, is the recognition that one talks about the effects of globalisation. There is a danger of Europe not recognising the reality of the rate of growth that is taking place within China, that is taking place within India, and failing to adapt its policies to enable the companies which are today successful as European companies to be able to grow and compete to exploit the realities of those markets. Airbus has the potential to be a very successful global

aerospace company and EADS has the potential to be very successful with its wider defence and space assets, but for it to do so I firmly believe that the managements of those businesses need to be allowed to get on and manage those businesses in the interests of those businesses in a global sphere. That is the UK policy. We have learned how that works and our role within Europe is to make that case. There is not a long-term future for so-called national champions. You can make it last for a length of time, but in time the realities of the global market catch up with you.

**Q24 Lord Hamilton of Epsom:** Minister, you will know better than any the deep suspicion with which Congress and, indeed, the American administration holds much of Europe and they are extremely reluctant to transfer technology. You have mentioned the Joint Strike Fighter, and of course we have had serious problems with the United Kingdom actually getting the technology transferred there, and that may now happen. I do not think you would be able to see a situation where, even if the French wanted it, the Joint Strike Fighter would be deployed on the French aircraft carrier, for instance. I think the Americans are very worried that the French might end up selling their technology, if it got through to the French, to their potential enemies. How does all this affect British companies when they are being asked to collaborate with European ones when so much of the best technology in defence comes from the United States?

*Lord Drayson:* I think that we and the United States recognise that point I made earlier on in the discussion is a fact of life, that countries need to collaborate on defence because of the realities of the complexity and cost of modern defence. That is true of the United States. It is not often talked about but there are technologies which the United States has provided by the United Kingdom, for example, and you mentioned Joint Strike Fighter and the Joint Strike Fighter relies upon British engine technology, it relies upon British manufacturing technology. There is self-interest in all nations in finding ways of doing this. All nations are therefore concerned, and the United States is rightly concerned, about making sure that proprietary know-how and military secrets do not leak to other places when they should not. That is about having good controls and compartmentalisation to allow collaboration to take place on a project-by-project basis, having the laws, the policies, the procedures, the compartmentalisation to enable those collaborations to take place without that intellectual property leaking out and secrets being lost. There are decades of experience to show us that can be done. The best example between the United Kingdom and the United States is in the nuclear and intelligence fields. In those two fields we have shown that it has been

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possible to collaborate at the highest level in terms of technological know-how and at the highest level in terms of security sensitivity very satisfactorily. We can certainly do that in other areas, such as Joint Strike Fighter, but we also need to recognise that there are industrial lobbying concerns that take place and, therefore, it is up to politicians to make sure they put in place the structures to address the concerns that people have. I am very pleased with the progress which we recently made, our Prime Minister signing with President Bush the new treaty between the United States and the United Kingdom to hugely facilitate the transfer of technology for defence assets. You are right, it has to be ratified, and we hope and expect that it will be, and we would like to see this done by the end of this year and that would enable projects such as the Joint Strike Fighter to be pursued within a framework which reduces a lot of time, cost and trouble for both sides, but we have to show to all of our partners that we are a nation that can collaborate, keep secrets, not allow leakage to take place, and that is something which we are perfectly able to do.

**Q25 Lord Hamilton of Epsom:** The point here is in terms of European collaboration and the degree to which that unnerves the United States and they then think that technology which has come to us may leak into Europe and be completely out of their control.  
*Lord Drayson:* I recognise that people may have this concern but it is a concern which we can meet by showing that this does not and will not take place.

**Q26 Lord Crickhowell:** Can we turn to Battlegroups. At Question Time yesterday you denied that British Services were under-supplied and over-stretched but I think you will accept that expeditionary capability is currently at pretty full stretch. Will the Battlegroup, including the supporting capabilities that we are going to provide for the second semester of 2008, be simultaneously available for other operations? How will priorities be decided between the EU, NATO and our own national demands at a time when we have got activities of an extreme character going on in several parts of the world?

*Lord Drayson:* You are absolutely right to focus on this matter because we are under significant pressure, so we need to be clear about the priorities. We believe that we do have a robust process in place for us to manage this. Where do our priorities lie? Our priorities are, firstly, our national requirements will always take first priority. We do believe that it is possible for us to manage our requirements within commitments that we have both within the EU and within NATO but we need to recognise that we have separate forces on standby relating to NATO forces. It is not so much, we believe, because of that separation of a potential conflict between an EU

commitment and a NATO commitment, it is more likely to be a conflict between a national need and an EU need or a national need and a NATO need. If push came to shove and we had to make a call on that then it would be our national need which would have to come first, but we do believe that despite the pressures we are under this is something which we can manage and we can meet.

**Q27 Lord Crickhowell:** Just one supplementary: given that our national priorities come first, and I welcome that statement, are the arrangements in place such that if we said now, "We are terribly sorry, we cannot do it at this moment", there are other countries in a position who will step forward and fill the gap? Is there enough cover in the Battlegroup arrangement so that if the pressure is falling on one particular country at one particular time it is covered?

*Lord Drayson:* We would hope that occasion would not arise. What we would be hoping to see is that we would not find ourselves in a position where we had to make a call between the two demands, but you asked me the question directly as to which comes first and that was the answer. In that circumstance then it would fall to other nations to cope with that, to bid against it, typically against a United Nations request and so forth. We need to recognise that there is a variety of capabilities within Europe to be able to provide levels of force of different capabilities, so I believe it will depend on the circumstances at the time. What is your feeling on the practicalities?

*Mr Mathewson:* As you will know, there are two Battlegroups on the roster at any one time so if at the last minute the British Battlegroup was unavailable then there is recourse to the second Battlegroup. If you are asking whether if we chose to withdraw the Battlegroup at some time before that others could easily fill the gap, I think the answer is no. The answer is no because whereas we provide our Battlegroup from formed units, permanent units of the British Army, most of the others are multinational formations which come into being for that period and then fade away. It has taken the Swedish Battlegroup, for example, which is on in the first half of next year, quite some time to build up that capability to bring the unit together and it is not a permanent capability, it will fade away shortly after they come off the Battlegroup roster. That is, to some extent, a weakness. On the other hand, it is a significant improvement in the capability that they have been able to offer because until today the Swedes could offer no expeditionary capability. The short answer and the honest answer is it would not be easy for a British withdrawal from the Battlegroup roster to be easily substituted by one of the others. If we did it now then we would go through an emergency Battlegroup generation process and we

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would start looking round now to see whether anyone could fill the gap which appeared at this time next year, but it would not be a straightforward matter.

**Q28 Lord Anderson of Swansea:** We are obliged to make our forces available during the second half of next year. There is one scenario where we say that because of our priorities at the very beginning, our Battlegroup is, in fact, not available, there is another one if during the course of that six months an obligation of a national nature were to arise. What are the contingencies that are available in such circumstances and also in the changeover period from one six months to another?

*Mr Mathewson:* I think it is as the Minister said, if at short notice and at the time a national contingency arose which was neither a NATO contingency nor an EU contingency, a purely national contingency, that national contingency would take priority. The Battlegroup is available to the EU but there is not a binding obligation for us to provide it, it is offered in good faith in the expectation that it will be available.

**Q29 Lord Anderson of Swansea:** I suppose by definition the obligation would be at a lower level in any event than a NATO obligation.

*Mr Mathewson:* In a sense, yes. Potentially in the sense of a NATO obligation we could be talking about collective defence. The operations we might make the Battlegroup available for through the EU are the so-called Petersberg tasks, they are the broad range of peace support operations. They are in a sense discretionary, there is a political process to go through to decide whether we undertake these operations. There is a degree of choice about whether this is, on the one hand, the sort of operation which the EU wants to get into, and on the other hand whether we have the capability to take it on. We offer the Battlegroup in good faith, we expect it to be available for the second half of next year, but, as people recognise, we do have to balance that against the entirely unexpected.

**Q30 Lord Tomlinson:** If we look at the eight six month slots from next year through to the end of the present roster of the Battlegroups, there are four slots which are just filed with "to be determined" and one slot "to be confirmed". That ain't much of a roster, is it?

*Mr Mathewson:* The roster evolves.

**Q31 Lord Tomlinson:** It is evolving remarkably slowly. It is like the wheels are grinding exceedingly slow.

*Mr Mathewson:* There are a series of Battlegroup commitment conferences where nations decide what they can offer and when they can offer it.

**Q32 Lord Tomlinson:** Or not offer or not decide.

*Mr Mathewson:* Yes.

*Lord Drayson:* The reality of the context of this is, I am sure the Committee recognises, that those countries which are both members of the EU and members of NATO are facing significant commitments where their countrymen have died in operations, have taken casualties, there is real pressure, I would say, in terms of military capability in certain areas that reflects in some ways and that is something which we need to manage. Our role within the United Kingdom is to encourage our coalition partners, whether as part of the EU or NATO, to make their contribution to these. We need to actively make the case, and we do, but you are right to highlight concerns about this being slow.

*Mr Mathewson:* As an example, the Swedish-led Nordic Battlegroup will be on duty in the first half of 2008 and they have recently said that they will also provide a Battlegroup in 2011, I cannot remember which semester. That is an example.

**Q33 Lord Tomlinson:** They are down on the list for 2011. They are there.

*Mr Mathewson:* Yes, but it is an example of progress, if I may. Six months ago they were not on the list. This is an example of a capability which hitherto has simply not existed, there has been no Nordic Battlegroup, and they are now taking two slots in the next few years. I quite take your point that we could wish they moved faster but overall this is capacity which before the Battlegroup initiative came into being had not existed outside of one or two countries who had it on a national basis.

*Lord Drayson:* It is not appropriate in a public forum to be pointing fingers at individual countries, however we do feel there are some countries who are not pulling their weight in this.

**Q34 Lord Tomlinson:** And in private you tell them?

*Lord Drayson:* We certainly do.

**Q35 Lord Hamilton of Epsom:** When Mr Mathewson was last here he said that the last thing that the Battlegroup was ever likely to do was go into battle.

*Mr Mathewson:* I do not recognise those words, I must say, my Lord.

**Q36 Lord Hamilton of Epsom:** Please come back if you find that I am misquoting you. You made it clear to me anyway that this was a peacekeeping force rather than anything else.

*Lord Drayson:* Yes, that is true.

**Q37 Lord Hamilton of Epsom:** In which case, I think it would be a good idea if you changed the name because Battlegroups are things that ought to be sent

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to Afghanistan where we know, of course, that the contribution of our European partners has been pitiful in terms of their enthusiasm to go into the Helmand Province where they might actually get shot at. There are so many vetoes too, are there not, on the deployment of this? There has to be unanimity, I think, right from the beginning and only the individual participants can veto going. Do you think it will actually ever go anywhere at the end of the day?

*Lord Drayson:* Yes, to be fair to this, I do. I take your point about the name. The thinking behind this, as Andrew has said, is primarily about humanitarian tasks, it is in response, for example, to a UN mandate in a certain area, but we also need to recognise in the modern world that a humanitarian task can quite quickly turn into a pretty nasty operation where troops come under fire and, therefore, a nation is putting its troops in harm's way in those circumstances. The point you make about people contributing forces as part of NATO in Afghanistan I absolutely accept and we are robustly making that case to our NATO partners. This is another example where through European collaboration we have made really good progress. It is important not to be negative about it and criticise what it is not but to laud what it is so far and encourage it to develop in the positive direction we want to see it go. In essence that is our policy and it would be counterproductive to do otherwise, particularly with those partners who are a bit ambivalent about this.

**Q38 Lord Lea of Crondall:** The last exchange obviously reminds us that this is not just a question of “pulling our weight against the background that there is an equal share of gross national product going to defence around Europe”. Is this not a reflection of a totally different problem, in fact, and far from this meaning that we should resile from putting more eggs into the European basket, if we want to have a stronger leadership role in saying that the European countries must meet a certain share of GDP going to defence—we are miles away from that at the moment—is not the logic that we cannot have one policy that complains about people not pulling their weight yet we do not have any mechanism at the moment for saying, “You should have X per cent of your budget”, imagine telling that to the Germans or whatever, “in defence”? Is that not the issue that lies behind this to some extent?

*Lord Drayson:* We do very clearly make the case that we regard it as important that countries do spend a higher proportion of their budget on defence because if you do not you are unable to participate in the way in which we describe and, therefore, if one has this concept of collaboration and collective defence then it is important for nations to contribute to it on a fair basis. We do make the point that as a proportion of national product Europe as a whole is not balanced

when you look across the Member States and that is something which we think needs to be addressed.

**Q39 Chairman:** Minister, we have come to the end of the time which we originally suggested that we would detain you for, would you be able to stay for another 15 minutes?

*Lord Drayson:* I need five minutes to get back to the Department.

**Q40 Chairman:** Ten minutes.

*Lord Drayson:* Thank you.

**Q41 Lord Swinfen:** What are the weaknesses of the national self-certification system for ensuring that Battlegroups meet operational criteria? Are there alternatives? In your view, would it be possible to envisage peer review?

*Lord Drayson:* Firstly, this is an issue where we need to recognise there are different standards and the principle of self-certification is not so much in its infancy but in early days. We do think that moving towards peer review is a good approach. What we need to do is to level up standards, and that is something which over time we believe can be achieved, but being pragmatic and realistic about this we need to recognise that differences in standards do exist. We must not come over as being critical about those differences, we must be encouraging across the Member States to get to the point where we can get to this levelling up of those standards, and we believe that a peer review process is a good way to do that.

**Q42 Lord Swinfen:** Do we invite other nations to come and peer review our Battlegroups because that would be a way to start the process off?

*Lord Drayson:* Perhaps I could come back to you on that.

**Q43 Lord Hamilton of Epsom:** I am asking about the “Milex 07” which took place in June. Are there any lessons learned from that?

*Lord Drayson:* We have had a first impressions report, I understand, which says that this exercise achieved its objectives and primarily it showed that the communications worked well. Following on from our previous conversation, it was a humanitarian exercise that was being tested within the constraints of what the exercise was intended to test, which was not the full range it was in particular aspects of Command HQ communications process.

**Q44 Lord Hamilton of Epsom:** What we would call a TEWT?

*Mr Mathewson:* It was a command post exercise. It was based on a scenario of a fictional African country which had gone through a conflict cycle, which I think you might recognise from many African

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countries, and had terminated with a UN request to the EU to deploy a Battlegroup to provide protection to humanitarian relief. The exercise was an exercise testing the planning stage involving activation of the Ops Centre in Brussels and a forward headquarters based on the forward headquarters that the Nordic Battlegroup will use at Enköping, I think is the place. It was a test of the planning, the communications and the interchange between the operational level and the forward level. It was generally regarded as a success.

**Q45 Lord Anderson of Swansea:** Minister, we have every interest in ensuring mutual self-respect and good co-operation, a pooling of ideas through the military committees of NATO and the European Union. We understand that relations are not good at the moment. Can you comment on that and say what efforts are being made to improve that?

*Lord Drayson:* there is certainly room for improvement and I think we have touched on certain aspects of the tensions which in part cause this. We also need to recognise that the different doctrines which have existed, and certainly what I have seen in the two years doing this job, and the particular way that nations go about the business of running their militaries, and therefore coming up with effective mechanisms to enable joint decision-making to

operate, is a challenge, it is difficult. In terms of what we can do as a country it is to be sincerely making our best efforts to improve this and I think that we are genuinely regarded in that vein, but in terms of it being an issue, yes, it is and we need to recognise that. *Chairman:* Minister, I think we probably should say at this stage thank you very, very much for coming and talking to us this afternoon. Even though I have not had the chance to ask the question, I was wondering when the peace support operations would go over to crisis management operations because certainly in the security strategy it might be seen that Battlegroups should go beyond the Petersberg task in those directions at some stage. I do not expect a response on that from you or Mr Mathewson at this stage. I hope that you found it interesting to come and discover the interest there is in the House in the work that you are doing in the EDA and in other pieces of European co-operation. We hope that if you do go as minister to the EDA in the future you will be able to come and talk to us about it afterwards, we certainly appreciate it, although we appreciate seeing Mr Mathewson and Mr Regan if you are unable to be here. I would like to thank you again. We will be sending you a transcript of what has been said today for you to check and send back to us. Thank you very much indeed.

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### Supplementary memorandum by Lord Drayson, Minister of State for Defence Equipment and Support

#### QUESTION

*EU Defence ministers have already agreed that “network-enabled capability must be a fundamental priority for ESDP operations”<sup>1</sup>. How is the UK Government pursuing this objective? Are you concerned by the delay in the launch of the EU’s Galileo system, which would provide the EU with an alternative to the US’s Global Positioning System (GPS)?*

#### NEC

#### ANSWER

We need to first explain a little about NEC to answer this question; NEC is more than just equipment, the concept of NEC links people, networks and information. NEC offers decisive advantage through the timely provision and exploitation of information and intelligence to enable effective decision-making and agile actions.

The EDA has recently agreed the mandate for the “Wise Pen” initiative. A Two Star level official will be recruited to develop proposals for an EU wide NEC concept. The EU Military Staff will be responsible for developing information exchange requirements for the EU.

The UK has been working on NEC for a number of years, undertaking experimentation, producing concepts and doctrine, binding together the people, networks and information strands and building the NEC mindset. An example of this is the Defence Information Infrastructure (DII) computer network that will eventually connect the entire department, enhancing decision making to support operations. The implementation of NEC will take time and will be done in a coherent and progressive way by developing Defence equipments, software, processes, structures and individual and collective training, underpinned by the development of secure, robust and extensive network of networks.

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<sup>1</sup> The European Defence Agency Steering Board agreed on 28 June 2007 to commission a report on this topic by an expert or “Wise Pen”.

We see the pursuit of NEC in the EU and in other international organisations (NATO) as the extension of the work we are undertaking in the UK. It is about standards to allow networks to be connected together with the correct protocols and procedures to allow the sharing of information in multinational formations. With the experience we have gained, the UK is in a good position to share these with our European partners. The process of achieving NEC for the EU will take time but we think that a draft concept is the right place to start and will be supporting this work with our expertise.

#### Galileo

The UK sees no military need for an alternative to the US Global Positioning System (GPS). It remains committed to GPS for all its military timing and precision navigation needs and as the NATO standard.

#### QUESTION

*At Le Bourget air show in June 2007, France and Germany announced their intention to work together on a project for a transport helicopter capability, which will be open to UK participation in the framework of the European Defence Agency (EDA). What are the criteria that the Government will use to determine whether the UK should participate in this project?*

#### ANSWER

The UK MOD undertook a comprehensive review of its helicopter strategy in 2004 as part of the Future Rotorcraft Capability. This review identified that our heavy lift requirements would be met by Chinook until at least 2025 and that it is unlikely that we would switch to another Transport/Heavy Transport helicopter in that time.

Participation on such a collaborative arrangement would likely depend upon:

- alignment of our future lift requirement with that of the Franco-German Future Transport Helicopter project;
- availability of this capability compared with the out of service dates of our current fleet;
- value for money, compared to Chinook;
- alignment with our future helicopter strategy; and
- other Lines of Development issues including; whether these aircraft could be operated from present and prospective amphibious shipping.

#### SUPPLEMENTARY QUESTION—ARTICLE 296

*Re: Commission Interpretative Communication on the Application of Article 296 in the Field of Defence Procurement (doc COM(2006) 779 final)*

*With reference to the above Interpretative Communication on the Application of Article 296, the Sub-Committee would additionally like to ask Lord Drayson on 12 July whether he believes the case for a new Directive in the field of defence procurement has been made. Could he clarify the Government's position on the need for such a Directive? When is the Commission expected to adopt its proposal, and what is the scope of the Government's involvement in Commission consultations in this respect?*

Following the Commission's Interpretive Communication on the use of Article 296, they have begun work on a "defence package" that will comprise three parts:

- a Communication that will record developments and progress since they issued the Green Paper in 2003;
- proposals for the regulation of Intra-Community Transfers of defence equipment and technology; and
- a Directive on Defence Procurement.

For the time being the Government is agnostic on the need for a Defence Directive, which would sit between procurements under the Public Procurement Directive and those exempted by the invocation of Article 296. Until we see the Commission's detailed proposals, I would not want to pre-judge them. This is not likely to be for some time although we should have a clearer idea when the Commission releases its impact assessment.

I believe that the Commission feel there is a need to recognise the very specialised nature of defence procurement and that it does not always fit the template of the Public Procurement Directive. At the same time they want Governments to rely less and less on Article 296. To this extent they appear to want to help us in making the EDTIB more effective, but it is too soon to say.

The Commission have promised the package by the end of the year, and Ministry of Defence staff have been engaged in a series of informal consultations with the Commission to help them better to understand the nature of defence procurement and the ways in which a Directive might help rather than hinder the way we do business.

*25 July 2007*