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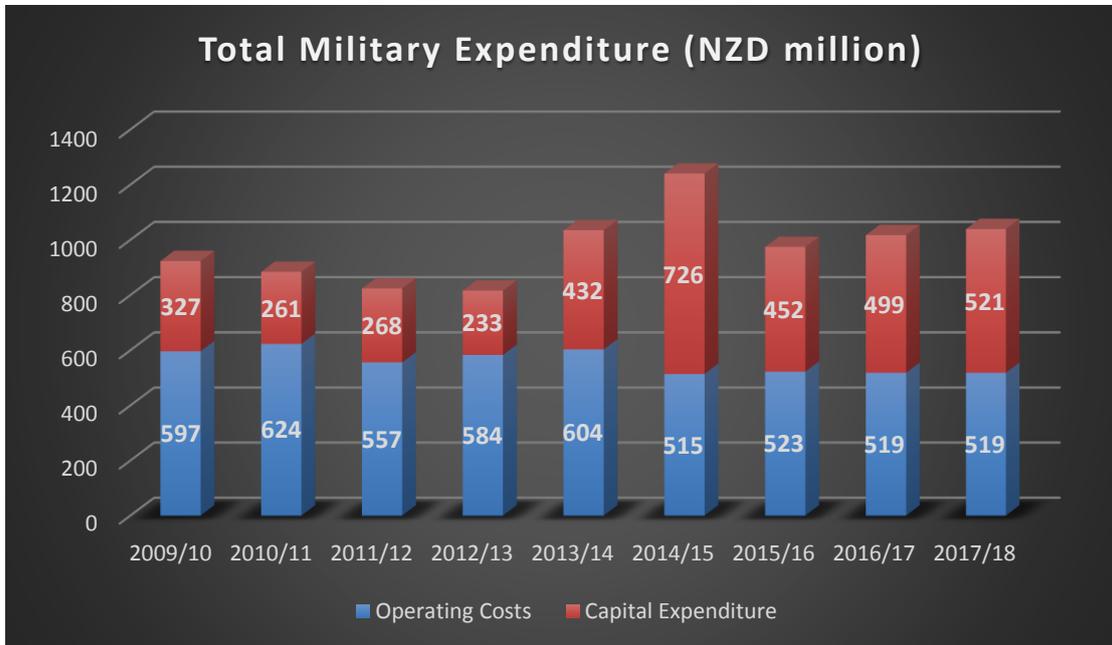
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*New Zealand's Future Defence Budget and Procurements*



The fundamental duty of the New Zealand armed forces is to protect the territorial integrity and resources of the country. The best ally that the national armed forces has in this effort is its physical isolation, a principal source of protection against foreign military threats and it also offers some protection from non-state challenges. Of course, this geographical advantage is not a panacea and the apprehension of this ascertainment leads the country to the creation of a more global defence policy with the close cooperation of other countries such as Australia.



Source: New Zealand’s Ministry of Defence

Significant defence equipment purchases and updates are proposed for the next years. This is highlighted by the fact that decline in defence capital expenditure<sup>1</sup> ended in 2012/13 and forecasts are now trending up. The average Defence capital expenditure forecast from 2015 – 2018 is approximately 500 NZD million (approximately 337.8 million US Dollars), which is around double the 2009 –2013 capital expenditure average of approximately 250 NZD million (approximately 168.9 million US Dollars).

<sup>1</sup> Capital expenditure mainly represents purchases of military hardware such as vessels, aircraft and the Defence estate, while operating expenditure reflects maintenance and repair costs, purchases of goods and services, transport and general logistics, food, fuel and clothing.

The main procurements New Zealand is going to carry out for the years to come are the following:

### **Navy**

- **ANZAC Ships Upgrade - Frigate Systems Upgrade (FSU)**: The ANZAC FSU project will upgrade the surveillance, combat and self-defence capabilities of the ANZAC frigates to match current and future threats and address obsolescence of some of the current systems. This will include a new combat management system, new radars, electronic detection and other above water sensors, the self-defence missile system, decoys against missiles and torpedoes, and an upgrade to the hull-mounted sonar. The total value of the procurement will be 446 NZD million (approximately 301 million US Dollars). The first ship is planned to undertake the installation or refit phase in the 3rd quarter of 2016 and the second ship approximately 12 months later. The project is expected to be completed in 2018.
- **ANZAC Ships Upgrade - Platform Systems Upgrade (PSU)**: The ANZAC platform system requiring attention include control and monitoring system, overall weight and stability management, the propulsion system, and the heating, ventilation and air conditioning systems.
- **Maritime Sustainment Capability**: This project will replace the Royal New Zealand Navy's replenishment tanker HMNZS *Endeavour* with a Maritime Sustainment Capability to maintain an afloat replenishment capability for the New Zealand Defence Force (NZDF). Hyundai Heavy Industries and Daewoo Shipbuilding & Marine Engineering, both of Korea, have been shortlisted to provide Best and Final Offers.

### **Air Force**

- **C-130 Life Extension**: Life extension to the C-130H Hercules fleet, by structural upgrades and extensive modifications to communications and navigation equipment and upgrade of self-protection equipment on the provides defence against Man Portable Air Defence Systems (MANPADS).
- **Pilot Training Capability**: This project is procuring a pilot training solution that encompasses Basic and Advanced pilot training with aircraft, training devices, and maintenance support. A contract was signed with Beechcraft Defense Company LLC in January 2014 for the supply of 11 aircraft, two simulators and a training package. All 11 aircraft have arrived in New Zealand and have all been accepted. The simulators have been delivered and now (December 2015) are going through the testing and validation phase.

### **Defence Forces**

- **Defence Command and Control System (DC2S)**: This project is implementing a modern command and control tool for the New Zealand Defence Force (NZDF). It will enable the Chief of Defence Force, through Commander Joint Forces New Zealand, to exercise command and control over the NZDF, and will provide commanders with timely situation awareness supported by intelligence. The project is divided into two phases. Both phases are due for completion by June 2016.

- Network Enabled Army: The Network Enabled Army (NEA) programme will modernise the New Zealand Defence Force (NZDF) tactical command and control (C2) systems in the land environment together with supporting computers, communications and intelligence, surveillance and reconnaissance (C4ISR) networks which support deployed land forces. NEA will be delivered in four tranches over twelve years, with Tranche 1 running until July 2018.

### Army

- Individual Weapon Replacement: This project will replace the existing New Zealand Defence Force (NZDF) Steyr rifle with a new individual weapon. Currently, the Ministry has selected Lewis Machine & Tool Co Inc of the USA as preferred Tenderer.
- Special Operation Vehicles: This project is replacing the New Zealand Defence Force's existing Pinzgauer Special Operations Vehicles with four different types of vehicles to better enable the Special Operations Force to meet operational requirements.

Kyriazis Vasileios,  
Epicos Newsletter Head Editor

*New Zealand: Defence Industry***NZ Defence Industry Association**

New Zealand does not have a defence industry in its full and

proper sense. Nevertheless, there is a small group of companies that have developed a relationship with the country's armed forces something that is mutually beneficial. According to Defence Industry Association chair Mr Bernie Diver the industry is responsible for approximately 2500 jobs and 125 NZD million (approximately 84.2 million US Dollars) in wages.

The most important and influential defence association in New Zealand is the Defence Industry Association (DIA) which has about 40 members. The NZ DIA was formed in 1993, as an industry development initiative. Its major emphasis today is on networking, and encouraging the membership to work together on developing joint approaches to defence projects in NZ and overseas.

Some of DIA's member companies are the following:

**AAL LTD** provides the following services and products:

- Defence and aviation equipment and systems
- Operational, technical, training and support
- Air target services
- Simulation technology

**Airwork (NZ) Ltd** provides the following services and products:

- Surge engineering teams
- Airfreight and passenger charters
- Helicopter leasing
- Helicopter/fixed wing engineering
- Dynamic component overhaul/turbine engine repair/overhaul
- Helicopter engine and component overhaul

**Electronic Navigation Ltd** provides the following services and products:

- Secure and non-secure communications
- Coast station communications
- Multi-beam sonar systems
- Mission systems integration
- Integrated platform management systems

**Hawker Pacific New Zealand Limited** provides the following services and products:

- Fixed Wing and Rotary Aircraft Sales and Leasing
- Aircraft maintenance on both Fixed Wing and Rotary Aircraft
- Contract Aviation support to Government Agencies
- Spares and logistics Support

- Design Engineering
- Full Avionics supply, install and repair facility

**Marine Management Ltd** provides the following services and products:

- Marine Superintending services
- Marine & Naval Architectural consultancy
- Oversight of class surveys
- Vessel refit and modification specification and management
- Insurance assessments and accident investigation
- Shipping industry engineering management
- Project feasibility studies
- Classification compliance
- Asset management

With Information from <http://www.nzdia.co.nz>

Kyriazis Vasileios,  
Epicos Newsletter Head Editor

## Epicos "Industrial Cooperation and Offset Projects"



Epicos "Industrial Cooperation and Offset Projects" provides a unique set of online tools enabling the structure, identification and implementation of comprehensive Offsets programs, through a searchable database. By introducing different offset projects and ideas proposed by local A&D industry it ensures the optimum cost for Prime Contractors and reassures that the priorities of local industry are fully met...

[For Further Information Press Here](#)

### Installation, set up and customization of a Network Centric Warfare C4I system



A company providing solutions for corporate and/or governmental organizations critical information systems (IS) is proposing the collaboration with a military or governmental authority for the installation, set up and customization of a Network Centric Warfare (NCW) C4I system.

[For Further Information Contact our ICO Department](#)

Mail at: [g-menexis@epicos.com](mailto:g-menexis@epicos.com)

### Design and development of advanced Medium-Altitude, Long-Endurance (MALE) UAV systems for scientific applications using composite material technology



A company with extensive experience in providing state of the art technological services and products for the aeronautical sector, is proposing, in the frame of an offset program, collaboration with an Aerospace & Defense company, or technological institute, for the design, development and manufacturing of advanced Medium Altitude Long Endurance (MALE) Unmanned Aerial Vehicles (UAV) systems, using composite material technology and which will be used for scientific applications.

[For Further Information Contact our ICO Department](#)

Mail at: [g-menexis@epicos.com](mailto:g-menexis@epicos.com)

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*News from our A&D Business Network***Lockheed Martin Receives \$528 Million THAAD Missile-Defense Contract**

The Missile Defense Agency awarded Lockheed Martin a \$528 million contract in December 2015 for production and delivery of interceptors for the Terminal

High Altitude Area Defense (THAAD) system. The new interceptors will support a growing number of U.S. Army THAAD units. THAAD is a key element of the Ballistic Missile Defense System (BMDS), and is highly effective at protecting America's military, allied forces, citizen population centers and critical infrastructure from short- to medium-range ballistic missile attacks.

"Our THAAD interceptors are on the cutting edge of missile defense technology. With advanced range, agility and accuracy, our interceptors are fully capable of defeating dangerous missile threats today and into the future," said Richard McDaniel, Lockheed Martin's vice president for the THAAD system. "Our focus on affordability, coupled with efficiencies of increased volume, is providing significant cost-savings opportunities to meet growing demand from the U.S. and allies around the globe."

THAAD interceptors employ Lockheed Martin's proven "hit-to-kill" technology to destroy missile threats inside and outside the atmosphere. The system is rapidly deployable, mobile, and also interoperable with all other BMDS elements, including Patriot/PAC-3, Aegis, forward-based sensors and the Command, Control, Battle Management and Communications system. These unique capabilities make THAAD an important addition to air and missile defense architectures around the world.

The U.S. Army activated the fifth of seven programmed THAAD batteries at the end of 2015. Lockheed Martin delivered the 100th THAAD interceptor earlier in 2015. The United Arab Emirates was the first international partner to procure the THAAD system with a contract awarded in 2011.

For additional information, visit [www.lockheedmartin.com/thaad](http://www.lockheedmartin.com/thaad).

**About Lockheed Martin**

Headquartered in Bethesda, Maryland, Lockheed Martin is a global security and aerospace company that – with the addition of Sikorsky – employs approximately 126,000 people worldwide and is principally engaged in the research, design, development, manufacture, integration and sustainment of advanced technology systems, products and services.

## Electronic Warfare Suite to Be Developed for U.S. Air Force C-130J Fleet



BAE Systems has been selected by the U.S. Special Operations Command (USSOCOM) to develop a new electronic warfare system for the fleet of C-130J aircraft. The contract, worth more than \$20 million, is the first phase of a multi-phase program to upgrade aircraft system survivability and the capability to detect, identify, locate, deny, degrade, disrupt and defeat threat systems in operational significant environments. The life cycle value of the contract is expected to exceed \$400 million.

The Radio Frequency Countermeasure (RFCM) system offers fully integrated, precision geo-location, and radio frequency countermeasure capabilities. The advanced system will significantly enhance the electronic threat protection capability of the C-130J, increasing the aircraft's ability to detect and defeat both surface and airborne threats in signal-dense and highly contested environments.

"This award is a significant milestone as it not only builds on our strong electronic warfare legacy, but also extends our proven electronic warfare capability to a large platform aircraft," said Brian Walters, vice president and general manager of Electronic Combat Solutions at BAE Systems. "Our all-digital RFCM system will ensure the mission-critical C-130J fleet remains capable and protected in the harshest environments."

Designed to be integrated into both the MC-130J Commando II and the AC-130J Ghost rider aircraft, the RFCM system will support the varied and critical missions of Special Operation Forces. These missions include the use of C-130Js for armed over-watch and refueling of helicopters in denied territories, and for close air support and interdiction missions in the most sensitive and hostile of territories.

Under the terms of the contract, BAE Systems will provide product development and platform integration work over the next 12 months. Additional information regarding the company's RFCM solutions can be found at [www.baesystems.com/C130-RFCM](http://www.baesystems.com/C130-RFCM).



### Singapore Airlines raises takeover offer for Tigerair

Singapore Airlines (SIA) on Monday raised its offer for shares of budget carrier subsidiary Tigerair it does not already own after minority shareholders said they wanted a higher price.

SIA remains short of the 90 percent acceptance needed to seal the deal since it launched its takeover bid on November 6, aiming to redevelop the struggling low-cost carrier as an integral part of the group's portfolio. SIA is now offering Sg\$0.45 per share, representing a nearly 10 percent increase over its previous "voluntary conditional general offer" price of Sg\$0.41 a share.

The new offer price values Tigerair at approximately Sg\$1.125 billion (\$790 million). Shareholders also have an option to subscribe for SIA shares at Sg\$11.10 per share. SIA said its offer remains conditional upon the airline owning more than 90 percent of Tigerair by the new closing date of January 22. SIA has said it intends to delist Tigerair from the stock market after the deal is completed.

The new price offer comes after SIA said last month that it owns, controls or has agreed to acquire 74.5 percent of Tigerair, up from the 55.8 percent it owned when it launched its takeover bid. But minority shareholders had asked SIA to improve its offer price.

"Shareholders who have already accepted the (original) offer will be paid the new offer price, subject to the 90 percent acceptance condition being achieved," SIA said in a statement. Airline officials said the new offer will be final.

"As the 2016 work year begins, we are providing Tiger Airways shareholders certainty with the new offer price of Sg\$0.45, which will not be revised further," SIA chief executive Goh Choon Phong said.

Tigerair went public six years ago, with a maximum initial offer price of Sg\$1.65, but the airline was hobbled by a string of losses as competition in the Southeast Asian low cost carrier market intensified. A strategy to expand the Tigerair brand to Australia, Indonesia and the Philippines failed.

SIA, which is also facing tough challenges from Middle Eastern carriers and budget airlines, already has in its stable Scoot, a medium-haul budget carrier, and full-fare SilkAir, which serves leisure destinations in Asia.

Analysts say SIA needs Tigerair to complete its portfolio, especially with Singapore building a new terminal to maintain the city-state's edge as a regional air transport hub.

**Source:** 2016 AFP, Agence France-Presse (AFP)

### South Korea to review safety of budget airlines

South Korea's transport ministry will carry out a safety review of all the country's low-cost airlines, after an aircraft was forced to make an emergency return after takeoff from the Philippines on Sunday.

The Boeing 737-800 belonging to Jin Air, a budget airline operated by South Korea's top carrier Korean Air, was carrying 163 passengers to Busan from Cebu, when it turned back shortly after take-off after a door was found to be leaking air.

"All low-cost carriers will undergo an overall inspection of their safety management to prevent similar accidents," the transport ministry said in a statement following the incident.

Last month, a passenger jet belonging to another budget carrier, Jeju Air, plunged 3,000-metres in mid-air due to problems with its on-board air compression system.

The safety inspection order by the ministry will include a check on all maintenance records and flight procedures.

South Korea currently has six licensed budget airlines operating in an increasingly crowded market. The latest addition -- approved at the end of last year -- is Air Seoul, the second low-cost carrier operated by Korean Air's main rival Asiana.

**Source:** 2016 AFP, Agence France-Presse (AFP)

### Embraer Expands E-Jets customer base in Europe with Austrian Airlines

Austrian Airlines has become the most recent customer of the Embraer E-Jets. The carrier launched today scheduled flight with the E195 from Vienna to several Central European destinations like Belgrad, Warschau, Hamburg, Thessaloniki and Tirana, among others. The airline started to incorporate 17 used E195s to its fleet last autumn.

"Following the same path that others carriers did in Europe, Austrian is replacing older and less efficient aircraft with the E-Jets, creating value for its owner and partners, and also offering a tremendous product for its passenger in terms of comfort," said Mathieu Duquesnoy, Vice President, Marketing & Sales, Europe & Middle East, Embraer Commercial Aviation. "E-Jets are the most efficient and the lowest operating cost aircraft being delivered in the segment."

"We are very happy to welcome the Embraer Jets to our fleet. These 120-seater aircraft will use 18% less fuel per seat. Therefore in the future, flying with Austrian Airlines, will be even

more environmentally friendly”, said Robert Heusmann, project leader of the Embraer incorporation at Austrian Airlines.

The airline will use the E195s, which are former Lufthansa CityLine, to replace a fleet of Fokker 70 and Fokker 100 jets. Now, the fleet will have an average age of four years, replacing Fokkers with an average age of about 21 years. The E195 is configured with 120-seats.

Embraer is the only manufacturer to develop a modern family of four airplanes specifically targeted for the 70- to 130-seat segment. Since the formal launch of the program in 1999, Embraer has logged nearly 1,700 orders and over 1,200 deliveries, with the E-Jets redefining the traditional concept of regional aircraft by operating across a range of business applications, with some 70 customers from 50 countries. The first E-Jet entered revenue service in 2004.

### **About Austrian Airlines**

Austrian Airlines is Austria’s largest carrier and operates a global route network of approximately 130 destinations, being particularly dense in Central and Eastern Europe with 37 destinations. Thanks to its favourable geographical location at the heart of Europe, the company’s hub at Vienna International Airport is the ideal gateway between East and West. Austrian Airlines is part of the Lufthansa Group, Europe’s largest airline group, and a member of the Star Alliance, the first global alliance of international airlines. For additional information visit [www.austrian.com](http://www.austrian.com) or follow us on Facebook, Twitter, YouTube or myAustrianBlog.

### **About Embraer Commercial Aviation**

Embraer is the world’s leading manufacturer of commercial jets that seat up to 130 passengers. Nearly 900 aircraft from the 37, 44 and 50-seat ERJ 145 family of regional jets have been delivered to airlines since their introduction in 1996. The E-Jet family includes four larger aircraft that have between 70 and 130 seats. The E170, E175, E190 and E195 set the standard in their category with their advanced engineering, high degree of efficiency, spacious, ergonomic cabins with two-by-two seating, and attractive operating economics. Since the E-Jets entered revenue service in 2004, Embraer has received 1,700 firm orders for this aircraft family. More than 1,200 have been delivered.

In 2013, Embraer launched the E-Jets E2, the second generation of its E-Jets family of commercial aircraft comprised of three new aircraft – E175-E2, E190-E2, E195-E2 – seating from 70 to 130 passengers. The E190-E2 is expected to enter service in the first half of 2018. The E195-E2 is slated to enter service in 2019 and the E175-E2 in 2020.

For Further Information [Click Here](#)

**Source:** Epicos, Embraer Commercial Aviation

### **The Tetra Pit Contract Awarded to Finmeccanica by Italy's Interior Ministry is Worth €450 Million**

The contract signed by Finmeccanica on 31 December 2015 with the Italian Ministry of the Interior to extend the Tetra PIT Programme, was to the value of €450 million (Including VAT).

The Programme is for the implementation of a Tetra-based mission-critical national mobile radio service assuring secure communications for Police Forces.

The contact will allow for further development of the service across other Italian regions, and is financed through resources set out by the Italian Stability Law of 2013, 2014 and 2015, and represents one of the most advanced technological programmes for Italian national security.

The contract provides Police Forces with greater technological and operational uniformity, in line with the Government's investment policy in the security sector and in combatting terrorism. The Tetra PIT system guarantees the confidentiality of Police communications and assures optimal management and coordination of units deployed across the territory.

For Further Information [Click Here](#)

**Source:** Epicos, Finmeccanica

### **Northrop Grumman Selected to Improve Survivability of US Air Force C-130 Aircraft**

The U.S. Special Operations Command has selected Northrop Grumman Corporation (NYSE:NOC) to provide advanced countermeasure systems for AC-130J and MC-130J aircraft.

Under the terms of the \$32.8 million award, Northrop Grumman's Land and Avionics C4ISR division will provide radio frequency countermeasure systems to detect, identify, locate, deny, degrade, disrupt and defeat threats to these aircraft.

"Our solution is designed to detect and defeat not only current radio frequency threats, but also to have the flexibility to protect our warfighters as the threat evolves," said Jeff Palombo, Northrop Grumman division vice president and general manager. "Our solution is built upon our high confidence aircraft protection systems of today, coupled with an open architecture approach that enables our offering to grow to a multi-spectral, multi-function capability for the future. This approach is a subtle, yet important characteristic of our offering that protects our customer's investment in their initial RFCM system procurement

while positioning AFSOC AC/MC-130 gunships for the complex battlespace of the immediate future."

Northrop Grumman is a leading global security company providing innovative systems, products and solutions in unmanned systems, cyber, C4ISR, and logistics and modernization to government and commercial customers worldwide.

Please visit [www.northropgrumman.com](http://www.northropgrumman.com) for more information.

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**Source:** Epicos, Northrop Grumman