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United Kingdom: The New Procurement Philosophy



One of the prime responsibilities of the UK government is to defend the safety of citizens. In order to achieve this, armed forces and national security agencies must be equipped properly. Moreover, the best possible value-for-money, for the amount of resources allocated to defence, has to be ensured. Finally, the UK government will take action to protect the UK's operational advantages and freedom of action, but only where this is essential for

the country's national security. Therefore, UK will try to fulfil defence and security requirements through open competition in the domestic and global market, buying off-the-shelf where appropriate but in parallel will try to protect the defence industry of the country and especially SMEs.

According to their procurement philosophy, UK will buy off-the-shelf in order to keep the cost of acquisition low. Nevertheless, UK government understands that procurements in the defence and security areas are fundamentally different from other forms of procurement, so they will also take action to protect the British Army operational advantages and freedom of action yet, only where this is essential for national security. Therefore, the British industry and especially SMEs will receive significant safeguards, by ensuring an environment in which SMEs are able to contribute and thrive in roles where they can bring value.

Furthermore, a healthy defence and security industry will potentially bring wider economic benefits, in terms of providing jobs, maintaining skills and strengthening exports as the companies involved in defence and security already sell significant volumes of goods and services overseas.



Additionally, UK government will favour bilateral collaboration on technology, equipment, and support issue. Last but not least, they will try to work multilaterally, for example through NATO or the EU, where this offers a clear benefit to the UK.

The new procurement philosophy of UK is trying to find a balance between ensuring that armed forces continue to get the equipment and support they require at an affordable cost and in parallel to encourage a vibrant UK-based industry that is able to compete against the other industries world-wide.

Kyriazis Vasileios

Epicos Newsletter Head Editor

United Kingdom: The future of Defence Industry



UK defence and security industries are an important part of the nation's advanced manufacturing base and among the most advanced globally. It is indicative that in 2010 they supported export orders worth over £8bn, making the UK the world's second largest defence and fifth largest security exporter. Additionally, they sustain a large number of highly-skilled, high-value jobs. Finally, defence-related business account for a large share of R&D activity in a number of advanced manufacturing sectors, something that has a significant impact in the amelioration of the country's industrial base.

Currently, there are around 300,000 jobs in the UK associated with UK defence spending and defence exports. From these 155,000 people are directly involved in the industry, many of them being highly skilled, with a further 145,000 people indirectly employed in the supply chain. This positive trend is to continue as currently there are 100 UK companies engaged in the supply chain for the US Joint Strike Fighter (JSF) military aircraft programme, one of the most advanced and promising defence programmes globally. This fact, definitely highlights a positive tendency of the industry and allows an optimistic forecast for potential growth. Finally, it should be mentioned that companies in the sector are also widely dispersed across the UK, therefore helping to spread job vacancies and thus prosperity and development throughout the country.



Another positive aspect of the UK's defence and security industries is that they account for a large share of R&D activity in a number of advanced manufacturing sectors. It is indicative that in 2010, defence-related R&D accounted for more than half of R&D in the electrical equipment and machinery industries and around a third in the aerospace sector. This often leads to significant civil spin-offs. For example, the Typhoon combat aircraft's carbon fibre and engine technologies are being applied to civil aircraft and the motor car industry.

Finally, it is important to state that UK's defence industry absorbs a vast amount of the investment that the government makes every year in the defence sector. UK has the fourth largest defence budget in the world. In the financial year 2010/11 UK purchased £27 billion worth of defence equipment and services, accounting for 11% of public sector procurement being the third highest type of public expenditure after health and social protection. Sales of the domestic industry to the MOD account for almost a third of the UK shipbuilding industry's turnover and more than 10% of turnover for the aerospace sector.

Finally, UK's defence and security industries play an important role in the readiness of the national armed forces as they help them deploy around the world with some of the very best equipment available.

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...

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Development of all-composite cab and/or vehicle body components for existing or future military ground vehicles



A leading company in the development and manufacturing of composite products for ballistic protection and structural composite applications is proposing the development of a new all-composite cabin for future or existing wheeled and tracked military

vehicles. In addition or alternatively, the company is proposing the incorporation of composite vehicle body components and parts in existing or future vehicle frames. Apart from weight reduction and the associated benefits (quicker response, less fuel required, potential for additional cargo etc) the incorporation of composite vehicle superstructure will allow for the integration of other important features, like personnel protection

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

Mail at: g-menexis@epicos.com

Development of an advanced UAV simulation for both Test bed and Operational Training



A leading company active in Military Simulation offering technologically advanced solutions and services in the development and integration of turnkey projects for military simulation market is proposing the development of an advanced UAV simulation for both Test bed and Operational Training.

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

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The European Defence Market, by Johannes Kuschel



The ever-increasing number of international missions and the diverse tasks European Forces carry out does not match the decrease in defence budgets in most European countries. Since both, however, are unlikely to change, the transformation will have to come from new ways that armament are procured in the European Union. Therefore, in the European defence sector must change. This book examines the strategic options that they will have. It explores the players in the market, assesses their market position in their respective national industry and forecasts their potential position in a common European defence market. It explores duplication and absence of armaments and technological skills as well as the reasons for them. The paper suggests strategies to overcome the aforementioned market distortions and provides options for companies to deal with the situation favourably.

The Economics of Defence Spending: An International Survey, by Keith Hartley, Todd Sandler



First published in 1990, this is an authoritative account of defence spending and policy in both developing and developed countries. The book provides case-studies and comparative material for policy-makers, civil servants, and military staffs throughout the world. It will also be of great use to students of economics, politics, international relations, and policy



Boeing, Lion Air Finalize Historic Order for up to 380 737s

SINGAPORE, Feb. 14, 2012 /PRNewswire/ -- Boeing (NYSE: BA) and Jakarta-based Lion Air today finalized a firm order for 201 737 MAXs and 29 Next-Generation 737-900ERs (extended range). The agreement, first announced last November in Indonesia, also includes purchase rights for an additional 150 airplanes.

"The 737 MAX is the best choice for Lion Air and the best airplane to serve our passengers," said Rusdi Kirana, Lion Air Founder and President Director. "We're excited to be the first airline in Asia to fly the 737 MAX and to be the global launch customer of the 737 MAX 9."

With orders for 230 airplanes valued at \$22.4 billion at list prices, this deal is the largest commercial airplane order ever in Boeing's history by both dollar value and total number of airplanes. Lion Air will also acquire purchase rights for an additional 150 airplanes.

"Lion Air has been a leader in Indonesia from the very beginning," said Dinesh Keskar, vice president of Asia-Pacific and India Sales for Boeing Commercial Airplanes. "Today more people are flying in Asia at lower fares because of the 737 and this historic 737 MAX order will help connect more people in the future." The 737 MAX is a new engine variant of the world's best selling airplane and builds on the strengths of today's Next-Generation 737. The 737 MAX incorporates the latest-technology CFM International LEAP-1B engines to deliver the highest efficiency, reliability and passenger comfort in the single-aisle market.

Airlines operating the 737 MAX will see a 10-12 percent fuel burn improvement over today's most fuel efficient single-aisle airplanes and a 7 percent operating cost per seat advantage over tomorrow's competition.

To date, the 737 MAX has orders and commitments for more than 1,000 airplanes from 15 customers and the Next-Generation 737 family has won orders for more than 6,600 airplanes. Lion Air, Indonesia's largest private airline, currently operates or has on order a total of 178 Next-Generation 737s.

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Photo and caption are available here: <http://boeing.mediaroom.com>

Source: Epicos, Boeing

Airlines need 33,500 new planes by 2030: Boeing

Global airlines will need 33,500 new planes valued at \$4.0 trillion in less than two decades, with Asia accounting for about 35 percent of the total, US aircraft maker Boeing said Monday.

Asia-Pacific carriers will require 11,450 new aircraft, worth \$1.5 trillion, by 2030, Boeing's vice president for commercial planes Randy Tinseth said at a news conference on the eve of the Singapore Airshow.

"This is the largest market in the world for single-aisle airplanes... for twin-aisle airplanes... for big airplanes. Any way you look at it, this is a big, big market, and this is a growth market," he said.

Tinseth, updating earlier Boeing estimates, said the biggest demand in the region will be for single-aisle aircraft that normally seat between 90 and 200 passengers -- the models most sought after in the budget-airline market.

Of the 33,500 new planes needed globally, about 60 percent will be for fleet expansion, with the remainder replacing ageing stocks.

In the Asia-Pacific region, 80 percent will be for fleet growth.

Boeing said the world's passenger fleet stood at 19,410 planes in 2010, and is projected to reach more than 39,500 by 2030.

To meet demand, Tinseth said Boeing will ramp up production of models including the next-generation single-aisle 737 MAX, which will undergo the final phase of wind-tunnel testing next week.

Boeing is also considering rolling out a bigger version of its mid-size 787 Dreamliner to be called the 787-10X that can seat up to 320 passengers, or 40 more than the 787-9 model.

Mark Jenks, vice president of development of the 787 programme, said on Sunday that Boeing aims to ramp up production of the long-delayed Dreamliner to 10 planes a month by the end of 2013, up from the current two or three. Tinseth meanwhile said capital markets and leasing companies will likely play an increasingly bigger role in financing aircraft deliveries as funds from European banks ease due to the continent's debt crisis.

"I think over the long term... airlines will be looking at other sources to finance aircraft (deliveries)," he said.

Boeing and its European rival Airbus have a major presence at the biennial Singapore Airshow, which runs from February 14-19.

Source: 2012 AFP, Agence France-Presse (AFP)

Rolls-Royce opens largest Asian facility

Aircraft engine giant Rolls-Royce opened its largest Asian facility in Singapore on Monday as it looks to capitalise on the region's booming aviation sector.

The Rolls-Royce Seletar Campus will be the only facility outside of the firm's Derby plant in Britain to assemble, test and produce Trent 900 and Trent 1000 engines, the firm said.

The Trent 900 engine is widely used in the Airbus A380 superjumbo, while the Trent 1000 series can power Boeing's latest Dreamliner series.

"This part of the world has played a key role at enabling us to double the size of our business in the last decade," Simon Robertson, chairman of Rolls-Royce, said at the plant's opening on the eve of the Singapore Airshow.

"And it is the continued demand from the fast-growing economies in Asia which underpins our confidence that we expect to double our revenues again in the next decade."

Singapore's Prime Minister Lee Hsien Loong underscored the importance of the 154,000 square metre (1.66 million square foot) facility to the city-state, a regional aviation hub.

"It's a landmark project for Rolls-Royce and Singapore. Rolls-Royce calls this its facility of the future, and we treat it so. It's the single largest aerospace investment ever in Singapore worth Sg\$700 million (\$559 million)," he said at the opening.

"It enables Singapore to play a key role in supplying aircraft engines for the latest jets such as the A380 and the Boeing 787 Dreamliner."

The campus includes an assembly and test unit, fan blade manufacturing, research and development as well as a regional training centre.

It will be able to produce up to 250 engines per year at full capacity -- double the company's worldwide production -- with the first locally assembled engine to be shipped to Toulouse, France in the third quarter.

Rolls-Royce declined to name the customer, but Airbus is based in the French city.

The British firm's "value-add contributions" in Singapore would reach about Sg\$1.7 billion in three years, or about 0.5 percent of the city's projected gross domestic product, said Jonathan Asherson, Rolls-Royce's regional director of Southeast Asia.

The Singapore facility would allow Rolls-Royce to capitalise on the region's growth, said Mike Terrett, the firm's chief operating officer.

"The Asia-Middle East market together has been our strongest growth area largely because there's been such a high demand for (wide-body aircraft)," he said.

Globally, airlines will need 33,500 new planes valued at \$4.0 trillion by 2030, with Asia accounting for about 35 percent of the total, US aircraft maker Boeing said Monday.

Source: 2012 AFP, Agence France-Presse (AFP)

Russia to sell tanks to Algeria, Turkmenistan: report

Russia has signed contracts to sell 120 T-90C tanks to Algeria and 30 to Turkmenistan, Vedomosti business daily reported Tuesday, citing sources in the arms industry.

The contracts, which follow earlier defence contracts with the countries, would be worth at least \$500 million, defence analyst Konstantin Makiyenko told the newspaper.

Russia signed the contract with Algeria in autumn 2011 and the contract with Turkmenistan in summer 2011, Vedomosti reported, citing a source close to the arms export agency and a manager at state corporation Rostechology.

The Arab Spring protests last year triggered unrest in Algeria and led its president to pledge reforms.

The energy-rich ex-Soviet state of Turkmenistan on Monday reelected its strongman President Gurbanguly Berdymukhamedov with over 97% of the vote.

Russia earlier supplied Algeria with 185 T-90C tanks in 2009 and supplied Turkmenistan with 10 tanks to fulfil a 2010 contract, the newspaper reported.

The new contracts would make Russia the world's largest tank exporter in 2012, beating China, said the editor of Moscow Defense Brief, Mikhail Barabanov.

Last year Russian army chief Alexander Postnikov complained to the Russian Senate about the high cost of the new T-90 tank model, saying that he could buy three German tanks for its price of 18 million rubles (\$600,545).

Source: 2012 AFP, Agence France-Presse (AFP)

China defence budget to double over 5 years: IHS

China's defence budget will double between 2011 and 2015 and outstrip the combined spending of all other key defence markets in the Asia-Pacific region, global research group IHS said Tuesday.

China's defence budget stood at \$119.8 billion last year and will rise to \$238.2 billion in 2015, marking a combined annual growth rate of 18.75 percent during the period, the US-based IHS said in a forecast.

The 2015 figure exceeds the combined total of the next 12 biggest defence budgets in the region, forecast to hit \$232.5 billion, and will be almost four times second-placer Japan's defence spending that year, it added.

"Beijing has been able to devote an increasingly large portion of its overall budget towards defence and has been steadily building up its military capabilities for more than two decades," said Rajiv Biswas, Asia-Pacific chief economist for IHS Global Insight.

"This will continue unless there is an economic catastrophe."

The growth in China's defence budget -- which averaged 12 percent annually from 2000-2009 -- will benefit from the projected surge in the gross domestic product of Asia's largest economy in the next three years.

China will use the additional cash to modernise its equipment while reducing its manpower, resulting in a higher amount of funding per member of its armed forces, IHS said in its report.

Aside from China and Japan, the report also tracks the military spending of India, South Korea, Australia, Taiwan, Singapore, Indonesia, Pakistan, Thailand, Malaysia, Vietnam and New Zealand.

The US government's "renewed Asia-Pacific focus" is helping fuel China's expansion of its defence budget, according to IHS Global Insight's Asia-Pacific head Sarah McDowall.

"China's expanding defence budget has intensified concern among various governments. Perhaps most importantly, it has prompted Washington to undertake a diplomatic campaign to reassert its profile in the Pacific," she said.

"Washington is also keen to ensure freedom of navigation through important sea lanes in the region and to maintain a situational awareness of China's military development," McDowall added.

President Barack Obama, while seeking to trim military spending in response to budget pressures, has vowed to boost US power in Asia where a number of nations have voiced concern at what they see as a more assertive China.

This concern will also drive other Asia-Pacific countries to shore up their budgets but it will not be their sole impetus, said Paul Burton, senior principal analyst of IHS Jane's Defence Budgets.

"China's rise is not the only motivator. There are a number of lingering security issues, driven by competition for untapped natural resources, that are prompting many states to increase their defence to GDP ratio," he said.

Vietnam and Indonesia in particular are expected to increase defence spending at a rate that exceeds their GDP growth, Burton added.

But the two countries' defence budgets will not be able to match up to the resources of their smaller but wealthier Southeast Asian neighbour Singapore, which will spend \$12.3 billion on defence in 2015, IHS predicted.

Source: 2012 AFP, Agence France-Presse (AFP)