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European Defence Industry: An Overall Assessment



The Defence Industry is one of the most significant and complex industries in terms of the elevated technological content of its products, the high financial risks related to the considerable development costs and the complex structure of the associated supply chain. As a result, it is probably the most tightly regulated and controlled industry on a global basis. Additionally, the defence industry has a

rather important impact on national economies and on the technological base of any given country.

The European defence industry is aligned with the aforementioned pattern and with a turnover of €96 billion in 2012 alone, continually contributes to the growth of the European economy. On the other hand, it sustains thousands of highly skilled jobs, since it employs some 400,000 people directly, with another 960,000 jobs depending in a more indirect fashion, on the activities of this industry.

European defence companies play a major role in a vastly competitive international scene and are standing at the forefront of technological advancement, sophistication and efficiency by creating products of proven quality record, reliability and service ability. Additionally, the European defence industry is constantly generating innovation and technological “know-how” on high-end engineering and technologies, creating spin-offs in other sectors, such as electronics, space and civil aviation.



The defence industry can be divided into three main sectors, depending on the surrounding medium, namely into aerospace, land and naval defence. The most important of these is by far the aerospace sector, which represents around 50% of Europe’s defence industry, with a turnover of €46.7 billion in 2010 (43% of this was generated through exports), and employs around 200,000 people. Undoubtedly, the technological and commercial highlight of this sector is the fact that the European aeronautics industry builds three of the most advanced fighter jets of the current era, namely the Rafale (France), the Gripen (Sweden) & the EuroFighter (Germany, Italy, Spain & UK). In addition, a large number of European countries also take part in the Joint Strike Fighter programme of the US.



The second most important defence sector in Europe is that of land defence with a turnover of around €30 billion in 2010. This sector employs some 128,700 people. It has the capabilities for delivering and sustaining key military capabilities in areas such as main battle tanks and armoured fighting vehicles, as well as for modernising and upgrading related platforms.

Finally, the naval sector presented a turnover of around €17 billion in 2010 and employed 83,200 people. This sector provides all types of services across the entire life cycle of a complex warship/sea vessel, from design and construction, to integration of electronics, missile and other major systems and in-service support. Further, European companies rank among the world's top four (4) suppliers of such warships.

Kyriazis Vasileios,
Epicos Newsletter Head Editor

European defence Industry: Exports and potential



The majority of the European defence companies distribute a significant amount of their products outside the European Union. It is indicative that according to the Stockholm International Peace Research Institute (SIPRI), for the period 2008-2012, France exported defence equipment to more than fifty countries, demonstrating a broad geographical spread of the related exports. Only one of the six top export countries, based on the amount of funds allocated, is from the European Union, namely the United Kingdom. The remaining five, namely Singapore, China, Morocco, Malaysia and the UAE, are located on other continents.

Likewise, German exports seem to follow the same pattern. In total, fifty-five countries imported defence equipment from Germany. Of these, the seven top export countries for the German defence products/equipment (specifically Greece, South Korea, Spain, Turkey, Malaysia, Singapore and the US), once more based on the amount of funds allocated, are to be found on three different continents, namely Europe (Greece, Spain and Turkey), Asia (South Korea, Malaysia and Singapore) and the Americas (the US).

This remarkable observation can be attributed to the fact that EU countries for the most have diminished their defence budget in their efforts to tackle the severe economic crisis that they face. Thus, it is only logical that the proportion of sales made outside the EU for such companies would increase, while also that pursuing the increase of sales to non EU countries would become almost the only way to remain competitive and viable as a business.



Along these lines, France unveiled a revised defence triennial spending law for the period 2011-2013, in late September 2010. According to this, the total defence spending for the related period will amount to €91.6bn, instead of €95.3bn, as initially planned in the 2009-2014 Military Programming Law (MPL). Between 2011 and 2013, the French armed forces will thus need to cut related expenses by some €3.5bn.

On the other hand, the German defence budget will gradually diminish and reach €30.43bn by 2015. In order to meet the aforementioned objective, the country will implement some cost-saving measures such as the suspension of compulsory military service, which has already been implemented, and the gradual downsizing of civilian and military manpower. Additionally, some immediate decommissioning of ageing platforms has already taken place and more are planned to come. Furthermore, old armaments are going to be replaced by new and more effective ones.

Kyriazis Vasileios,
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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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Provision of external source for on-board equipment tests and turbine start-up



A company with international reference in the production and commercialization of GPUs is proposing the provision of its static Ground Power Unit (GPU), designed for airplanes, as external source for on-board equipment tests and turbine start-up to address the international market.

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

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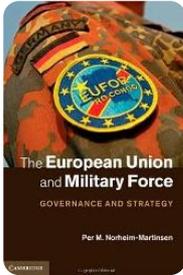
Utilizing LED Technology for Aerospace and Defence applications



A leading supplier of LED solutions mainly for commercial applications is willing to expand its line of business in Aerospace and Defence (A&D) sector, offering state-of-the-art solutions and products, as well as additional services and support.

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

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Epicos- Amazon
The European Union and Military Force: Governance and Strategy, by Per M. Norheim-Martinsen


The Common Security and Defence Policy maps out how the EU - established primarily to be an economic organisation - can purposefully prepare for and apply the use of military force. In this insightful work, Per M. Norheim-Martinsen argues that, since the EU is not a state but nevertheless does embody some non-intergovernmental characteristics, neither EU studies nor strategic studies is sufficient for fully understanding the Policy itself. Combining the two fields, the author utilises the instrumentality and clarity of the strategic approach, while retaining an understanding of the unique character of the EU as a strategic actor. In so doing, he provides a fruitful conceptual framework for analysing the development of the CSDP, how it functions in practice and how it will continue to evolve in the face of the challenges which lie ahead. This book will appeal to scholars and advanced students of European studies, international relations and strategic studies.

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.



EADS dropped from \$7.3 bn. S. Korea jet fighter bid

European aerospace consortium EADS has been eliminated from a bid to provide fighter jets worth \$7.3 billion to South Korea due to a failure to meet some requirements, a report said Sunday.

The Eurofighter was dropped from the bid also sought by US company Boeing after the South's military found that the EADS proposal did not meet its key demands, Yonhap news agency said.

It cited an unidentified official at the Defense Acquisition Programme Administration (DAPA). A spokesman for DAPA was not immediately available for comment.

"A problem was found in the proposal document of one of two final bidders," Yonhap quoted the DAPA official as saying, adding the troubled bidder was known to be EADS.

"The company in question was deemed unfit (to join the final bid)," the official was quoted as saying.

Seoul is seeking 45 one-seater aircraft and 15 two-seaters. But EADS proposed only six two-seater aircraft, which are costly to produce, due to budget problems, Yonhap said.

It also quoted the estimated budget in British pounds instead of in US dollars as demanded by Seoul, the news agency said.

DAPA will submit the proposal from the remaining bidder for a final review by top military officials, the official added, indicating Boeing's F-15 Silent Eagle would be the only candidate.

The contract to replace Seoul's ageing fleet of F-4 and F-5 jets comes as major defence suppliers reel from drastic cutbacks in military spending in the US and Europe. It was initially sought by EADS and US firms Boeing and Lockheed Martin, but Lockheed Martin has reportedly dropped out of the race.

South Korea's military procurement needs, especially where the air force is concerned, have overwhelmingly been met by US suppliers in the past -- a reflection of their close military ties.

But EADS' hopes were raised in January, when Anglo-Italian company AgustaWestland beat US defence giant Sikorsky for a \$567 million contract to supply six helicopters to the South Korean navy.

Source: 2013 AFP, Agence France-Presse (AFP)

Singapore to double capacity of Changi Airport

Singapore will build a new terminal that will double the capacity of Changi Airport in a bid to retain its edge as a regional aviation hub, Prime Minister Lee Hsien Loong said on Sunday.

Construction work will begin soon and will be completed in 12 to 15 years, Lee announced in his annual policy speech.

"T5 (Terminal 5) sounds like a terminal, but it is actually a whole airport by itself, as big as today's Changi Airport," said Lee.

He did not reveal the cost of the new facility, but said it would include a third runway that would double the capacity of Changi, which handled 51.2 million passengers last year.

Changi Airport, named the world's best by Britain-based consultancy Skytrax this year, currently has three terminals with a total capacity of 66 million passengers a year.

In February it started to demolish its terminal for budget airlines to replace it with a larger facility.

The new facility, Terminal 4, will have the capacity to handle 16 million passengers a year when it opens in 2017.

In his speech late Sunday, Lee said there was growing competition from other major international airports in Southeast Asia.

He noted that Malaysia's Kuala Lumpur International Airport and Thailand's Suvarnabhumi Airport are planning to expand.

"The question is do we want to stay this vibrant hub of Southeast Asia, or do we want to let somebody take over our position, our business and our jobs?" Lee said.

Passenger traffic at Changi totalled 51.2 million last year, the first time in the airport's 31-year history that the number of people passing through crossed 50 million.

As of January 1, 2013, Changi handled more than 6,500 weekly scheduled flights with 110 airlines connecting Singapore to 240 cities in 60 countries.

Source: 2013 AFP, Agence France-Presse (AFP)

France could tax tickets to fund airport rail link

France may impose a new tax on airline tickets to fund a planned rail link between Paris and the capital's Charles de Gaulle airport, the transport ministry said on Monday.

The government will finalise plans "in the coming weeks" for funding the planned CGD Express line, a ministry official told AFP.

"Such a tax would not be out of the question," Transport Minister Frederic Cuvillier told newspaper Le Figaro, which said the tax could raise up to 400 million euros (\$535 million) for the project.

The rail link, which has been in the planning stages for years, is expected to cost about 1.7 billion euros, with the participation of the state-owned ADP Paris airport operator and three public transportation companies.

The project's backers hope the 32-kilometre (20-mile) line can be completed within the next decade.

Source: 2013 AFP, Agence France-Presse (AFP)

Malaysia Airlines in the red again

Struggling flag carrier Malaysia Airlines said Tuesday it has recorded a second consecutive quarterly loss after failing to overcome drag from earlier borrowings.

The airline said it made an operating profit of 7.9 million ringgit (\$2.4 million) in the second quarter ending June 30 but still ended up with a net loss of 175.2 million mainly due to unrealised foreign exchange losses.

This improved on the 348.7 million ringgit loss in the same period a year ago, before the carrier moved into the black for the second half of 2012.

But in a statement the airline said it was confident it would repeat last year's pattern as "traditionally the second half of the year is better compared to the first half".

"We are pleased that we have been able to bring in an operating profit in Q2 this year. Previously in 2012, we only saw an operating profit in Q3 and Q4," said chief executive Ahmad Jauhari Yahya.

The airline added that net loss for the first half of 2013 was down 12.7 percent to 453.8 million ringgit compared to 520.1 million in the corresponding period last year.

Operating revenue for the quarter increased 12 percent to 3.59 billion ringgit year-on-year on the back of a 29 percent increase in passenger traffic to 4.2 million.

Last year, the carrier admitted it was in "crisis", forcing it to implement a cost-cutting campaign centred on slashing routes and other measures.

This left it with a 433 million ringgit net loss for the 2012 financial year, a marked improvement from a record 2.5 billion loss in 2011.

Analysts have blamed a combination of stiff competition, poor management, change-resistant unions and government interference for the carrier's poor performance.

But Ahmad Jauhari insisted the company is "on track with our business plan (unveiled at the end of 2011) to turnaround our group and build sustainable profit by end 2014."

Source: 2013 AFP, Agence France-Presse (AFP)

Boeing Reaches 250,000-Kit Milestone for JDAM Weapon Program

Boeing [NYSE: BA] today marked its recent production of the 250,000th Joint Direct Attack Munition (JDAM) guidance kit, a major milestone for a program that, since 1998, has reliably and affordably converted unguided munitions into near-precision weapons.

The company facility in St. Charles produces more than 40 JDAM kits every day, on time and on budget.

"The JDAM remains a valuable asset to warfighters around the world," said U.S. Air Force Maj. Gen. Scott W. Jansson, Air Force Life Cycle Management Center, Eglin Air Force Base, Fla. "From the onset of the program, we saw the worth JDAM added to our mission portfolio, and we are still seeing the dividends through its advanced technologies."

With a range of more than 15 nautical miles, JDAM can defeat high-value targets in any weather, day or night, with minimal risk to air crews. New variants such as Laser JDAM and JDAM Extended Range allow warfighters to prosecute moving targets and deploy the weapon from greater distances, capabilities that come with little to no development risk since they are based on proven technology.

"It's been an honor to produce JDAM for the U.S. Air Force, U.S. Navy and America's allies these past 15 years," said Debbie Rub, Boeing vice president & general manager, Global Strike. "The JDAM continues to protect warfighters with its precision accuracy and unmatched mission reliability."

A unit of The Boeing Company, Boeing Defense, Space & Security is one of the world's largest defense, space and security businesses specializing in innovative and capabilities-driven customer solutions and the world's largest and most versatile manufacturer of military aircraft. Headquartered in St. Louis, Boeing Defense, Space & Security is a \$33 billion business with 59,000 employees worldwide.

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