

ANNEX A: Responses to the International Agreements Committee's questions on the GCAP Treaty

- 1. The GCAP Convention establishes a new international organisation “the GCAP International Government Organisation” to deliver the GCAP programme. Are there any precedents for establishing an international organisation to deliver a commercial project of this nature? Why did you choose to establish an arms-length agency as opposed to working through inter-governmental cooperation?**

Response: Yes, there are precedents for establishing an international organisation for a commercial project which is trying to achieve a programme of this complexity and importance on behalf of international partners. International organisations are often used as delivery agents where nations wish to collaborate on complex programmes. Extensive review of the positives and negatives of these organisations, including NETMA for the Typhoon programme and OCCAR for A400M and other programmes, have been undertaken and the findings used to shape the GCAP International Governmental Organisation (GIGO) design.

The GIGO organisation is an inter-governmental body (not an arms-length agency) established to act on behalf of the three governments. This Treaty is required to establish the GIGO as an entity with its own legal identity which is necessary for it to act on behalf of multiple governments and place contracts with industry. It enables us to deliver GCAP in a truly collaborative way, avoiding lead-nation contracting or trying to coordinate three separate national contracts onto a single international commercial entity (or even worse coordinating three separate national contracts through each nation's prime contractor), either of which would decrease the efficiency required for the programme.

- 2. What engagement did you have with industry about the approach of establishing an international organisation? Were any concerns expressed?**

Response: UK and international Industry partners have been fully engaged for several years in the delivery construct options and solutions for GCAP. All are fully supportive of the establishment of a government international organisation due to the benefits it will bring to GCAP and the relationship it will establish between government and industry. Industry have been engaged throughout the development of plans for the GIGO and were consulted on the Convention. Through close collaboration with all our trilateral industry partners, we have been able to develop an international organisation which aligns with and complements the industry international organisational structures, which are due to be established in parallel. Industry's learning from programme such a Eurofighter is that a single empowered inter-governmental organisation is vital to programme success, and similarly a single empowered industry organisation is required.

- 3. The Convention leaves many important implementing measures to be decided by further arrangements between the parties (see list below). What legal form**

will these further arrangements take and what provisions will be made for Parliamentary scrutiny of them?

- Decision-making procedures within the Steering Committee (A7.2)
- Tasks and Structure of the Agency (A12.2 and A14.4)
- Procurement rules (A13.1)
- Requirement for member state approval of any contract (A13.3)
- Appointment of senior personnel to the Agency (A15.1)
- Handling of parties' financial contributions (A19.1)
- Contributions of non-parties (A19.2)
- Procedures for appointing auditors (A21)
- Development of a mechanism to facilitate exports of GCAP technology (A51)
- Arrangements for security governance (A52.1)
- Arrangements for protection of classified information (A53)

Response: As outlined in the Convention, there will be a series of subordinate documentation which will sit beneath the Convention. Depending on the nature of the content, some of these provisions will be included within an Implementing Arrangement, which will be a politically, but not legally, binding document. Parliamentary scrutiny is not required for an Implementing Arrangement, but cross-Government consultation with relevant departments will be undertaken as and when required on specific issues.

4. The Steering Committee of the GIGO is responsible for adopting the financial rules and the annual budget which will determine the parties' further financial contributions. Since the GIGO is an independent body, how will the accountability to Parliament for the delivery of the programme including its financial aspects be assured?

Response: The UK's contribution to the funding of the GIGO's administrative and operational functions will flow via the Ministry of Defence's Vote and managed in accordance with Managing Public Money. Partner nations, through the Steering Committee, will agree burden sharing between the parties. Approval for the spending of UK funding through the GIGO will remain in the gift of the UK Government. The GIGO will be subject to independent audit. Each Party will designate their national auditor who will discharge their audit function and will report to their respective parliaments in accordance with their statutes. The Ministry of Defence will be writing to the NAO to invite them to be the UK's designated national auditor. The exact details have yet to be agreed by the Parties.

5. The Steering Committee of the GIGO will have an equal number of representatives of each of the three parties, but it is not clear whether decisions will require agreement between all parties or whether majority voting will apply (since the decision-making procedures have not been decided). How do you envisage decision-making will work?

Response: Given nations must retain control over their programme commitments, the Steering Committee (SC) will aim to achieve unanimity and resolve disputes through discussion and negotiation. To ensure programme effectiveness, nations will need to agree delivery envelopes for the GIGO to operate within and empower the GIGO to

operate within wider boundaries, to avoid detailed programme decisions being referred back to the SC. Only when agreed programme parameter and boundaries (for example against requirements, costs, time, work allocations) might be breached should be GIGO seek direction from the SC.

6. The GCAP Convention provides for the accession of additional members and cooperation with non-members. Are any other specific countries likely to join or participate as non-members?

Response: All three GCAP nations have highlighted our openness to working with other nations through this programme, while keeping us on course for 2035 ISD. No decisions have been taken on other specific countries at this stage.

7. Are there any particular advantages to the UK in hosting the Agency?

Response: It is important to note that GCAP will bring substantial strategic and economic benefit to all partner states regardless of where the HQ is located, with significant GCAP activity continuing in each of the nations. With the Agency based in the UK, we will be at the forefront of the world stage allowing us to strengthen diplomatic ties, promote our combat air sector and ensure we work collaboratively in developing a new generation of military aircraft. Furthermore, the programme will support hundreds of highly skilled jobs here in the UK, strengthen our industrial base and drive defence innovation. It will attract substantial inward investment in research and development providing opportunities for our next generation of highly skilled engineers and technicians, with the prospect of thousands of more high-value jobs across the supply chains of our three nations. The location of the GIGO in the UK means the programme will operate under UK financial and legal jurisdictions. This is an advantage to the overall programme and all parties.