

Written evidence submitted by KMW and Nexter Defense Systems (KNDS)

Modernising the UK's land systems and strengthening joint European security

KMW and Nexter Defense Systems (KNDS) Position paper, August 2020

Modernising land systems: a vital challenge

1. As a consequence of UK procurement priorities the MOD will be acquiring billions of pounds of equipment and services in the land domain to ensure that the British Army is capable of meeting the range of identified threats to the UK's national interests and security.
2. We welcome the UK Government's on-going Integrated Review, as well as the Defence Committee's inquiry into Armoured Fighting Vehicles (AFVs) and the wider land domain. This provides a strategic opportunity for stakeholders to understand the opportunities afforded through deeper collaboration with European partner nations and NATO members and strengthen the vital security partnership in Europe, critical to the future of the UK Land Defence Industry.

Context

3. Although still broad and capable, over the last decade the UK's Land Defence industry has become fragmented with no clear national champion in the sector. As a consequence it is in danger of dropping below an 'economical' critical mass and losing its 'first tier' status.
4. The UK's adversaries have continued to invest in upgrading their AFVs. The Russian Army is currently upgrading their Main Battle Tank (MBT) rendering the current Western MBT fleets, including Challenger 2, obsolete. UK and its allies on both sides of the Atlantic but particularly in Europe are investing in modernising their land systems. Chief among these is France who is delivering a new 7 Billion € integrated land system capability – the SCORPION programme - a system also now extended to the Belgium Army. Preparing the future, France and Germany are also putting in place their longer term plans with their joint commitment to the Main Ground Combat System (MGCS).
5. In 2015, NEXTER (France) and Krauss-Maffei Wegmann (KMW, Germany) came together forming KNDS, a strategic alliance in the land defence sector. Under KNDS, KMW and NEXTER now manage 75% of the MGCS programme, and are set to deliver the future replacement of the Leopard Main Battle Tank (MBT) in Germany and the Leclerc MBT in France in 2035+.
6. France and Germany have been able to establish an integrated Land Strategy, one upon which industry has been able to subscribe and respond to. A long-term, stable environment facilitates investment by industry and encourages organisational consolidation and rationalisation in order to ensure the emergence of nationally based cross-national champions like KNDS.
7. A consolidated group in the form of KNDS offers France and Germany the opportunity to jointly develop the future generation systems which would be both affordable and exploit the opportunity of true joint interoperability with European allies.
8. In the context of Global Britain and as it declared, the British Army will continue to require effective armoured vehicles and structures that are able to fight alongside allies. In meeting these operational challenges, we believe ensuring close interoperability with European and NATO allies, should be the driving goal of the Army's land system modernisation program.

Opportunity

9. As Great Britain's nearest and geographically closest allies, UK needs to consider a deeper strategic alignment with both France and Germany. With the UK and France celebrating 10 years of ever-closer military cooperation under the Lancaster House Agreements, France is arguably more operationally significant to the UK since the validation of the Combined Joint Expeditionary Force (CJEF) in 2016.
10. There are a series of relatively short-term decisions to be made about the future of AFVs (WCSP, AJAX and CLEP) in the STRIKE and Armoured Infantry Brigades, medium term questions about the AS 90 and Challenger 2 replacement programmes and to set the longer term approach to ground combat 30 years from now. Procurement decisions taken by UK now will shape both the cost base of the UK Army equipment plan and UK industry for the forthcoming decades.
11. As the largest land defence company in Europe, KNDS is in a unique position encompassing the UK's principal allies in Europe to offer immediate solutions to UK urgent operational needs, save money against current medium term UK Army plans (WARRIOR and AJAX) but also a long-term strategic route map for UK industry leading to MGCS.
12. Under SCORPION 4,000 vehicles will be delivered over the coming decade to the French Army for which NEXTER leads all new platforms (GRIFFON, JAGUAR and SERVAL). JAGUAR is an armoured reconnaissance vehicle (a wheeled equivalent of AJAX) with the first deliveries to the French Army due over the coming months and to the Belgium Army in the years following. JAGUAR, like AJAX and WCSP in UK, has the CT40 cannon as its main armament. With investment and support from UK MoD and the French DGA, referenced within the Lancaster House treaty, this battle field dominating technology has been jointly developed and produced by NEXTER (France) and BAE Systems (UK). By leveraging this successful investment and technology lead, within which UK is already part, KNDS can offer UK ARMY the opportunity to equip their BOXER MIV with the JAGUAR CT40 turret technology as a solution for STRIKE Direct Fire (BOXER T40) and/or a cost effective alternative to WCSP.
13. In service with 13 European Armies the Leopard 2 MBT offers a state of the art yet, non-developmental and low risk alternative to the Challenger 2 upgrade. The LEOPARD 2 MBT can provide a NATO interoperable 'gap filler' until the arrival of MGCS freeing UK of the continuing need to support a unique 'UK Only' MBT solution.
14. As UK moves towards the need for new ammunition families already required by the future programmes such as Mobile Fires Platform (MFP) KNDS will seek the opportunity to extend its existing cooperation with BAE Systems (40mm CTA and 155mm BONUS). Ammunition has notoriously heavy capital and developmental investment requirements. An international cooperative approach while maintaining sovereign supply has already proven successful.

UK industrial opportunities

15. As KNDS we know that our role as prime contractor and lead system integrator can only be executed optimally if we have a defined and important degree of industrial capacity in our key countries of activity. The KNDS Group is committed to creating a footprint in the European nations necessary to fulfil our commitments towards our customers. We have, apart from our domestic footprints in France and Germany, local KNDS subsidiaries in Belgium (Mecar), Italy (Simmel), the UK (WFEL) and Greece (HDVS).
16. KMW, already operating through its UK subsidiary WFEL (Stockport), is taking a major role in delivering BOXER through the MIV programme to the British Army. NEXTER will continue to seek an expanded role in the UK beyond the 40mm CTA programme for which it has operated a joint venture with BAE Systems since 1994.

17. In cooperation with key UK companies and by investing in the UK, KNDS sees the potential to be a central partner in the MoD's UK Land Systems strategy.

Summary

18. The current incremental programme-by-programme approach to Land Systems in the UK leaves industry approaching the UK market opportunistically. The long term high-value investment that we believe the UK Government wants to see now depends on the direction UK Government takes regarding future defence and industrial policy in the Land sector.
19. The decisions taken during the current AFV review, collectively represent a once in a generation opportunity to benefit from the significant opportunities that would be derived for UK from a strategic Land Systems holistic approach to acquisition and thru-life support.
20. KNDS can offer structured long term investment ensuring that UK subsidiaries and partners will deliver programmes locally, develop new Intellectual Property (IP), as well as research and manufacturing capabilities that are sustainable and can be integrated into long term programmes such as MGCS.
21. To make the UK Government commitment to UK military land capability affordable, UK MoD should seize even more of the opportunity offered by deeper cooperation with European Allies, by partnering with lead governments and lead vendors whose success is focussed on the future of the Land Sector.
22. KNDS is keen to participate in such a process and ambitious to contend for your consideration. We bring a broad range of immediate solutions (BOXER T40, LEOPARD 2) capabilities, technologies to support medium term programmes (Artillery and Ammunition) and our appetite to invest in the UK, IP, research and development will lead to a sustainable UK industrial footprint making KNDS the natural partner for UK and future programmes like MGCS.

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