

EADS' "SERVICES": A VISION FOR THE FUTURE

Preparing for the future, innovating, streamlining processes... Armed forces are determining their needs according to new schemes that EADS is taking into account. Aside from a few cases, the major long-term programmes, such as those that require more than 20 years (Leclerc MBT...), are progressively being replaced by crash programmes, intended to meet immediate operational needs in the short-term. In this context, the acquisition of services, and not only products, will play a central role in the coming years.

It is no surprise then that in his "Vision 2020" plan, Louis Gallois underlines the importance of services. This activity, which today represents only 10 per cent of turnover, should account for 20 to 25 per cent in 2020.

Contrary to a commonly held view, the services sector should not be confused with operational maintenance. Service complements maintenance. Accordingly, selling a product is meaningful only when added value is offered to the client. It is through its innovative service that EADS offers added value.

EADS offers a range of services associated with the company's product offerings. Within each division,

the importance of services continues to grow. From training to selling hours of secured communications, to a one-stop shop for training and delivery of turn-key service solutions, from Astrium Services to Airbus or Military Air Systems, the services offered are constantly being diversified, improved and adapted to customers' potential needs.

Buying a service is however very different from buying a product. It involves consuming a capacity as it is produced. This perception of services, particular to EADS, thus goes well beyond simple externalisation, thanks to which an institution (e.g. a defence ministry) entrusts or transfers a task (managing a fleet of cars, for instance...). Of course, the idea of a "win-win" system does exist, however, the philosophy differs, as the customer never acquires just a single service. An industrial can produce as many related services as the customer asks for, with no limitations. The system therefore benefits the customer above all (fast and reliable) with the industrial relying on its expertise and know-how to produce the panoply of services according to requirements, which on the long run can change.

The "Paradigm" model

EADS Astrium Services (ASV), through its wholly owned subsidiary Paradigm Secure Communications Ltd., is well positioned when it comes to its service offerings, notably to armies. It acts as an operator providing end-to-end military telecommunications on X and UHF bands through protected NATO-standard satellites. The British have chosen to outsource, in the broader sense, their entire communications services. For day-to-day use, besides a range of more than 300 available services, the armed forces order

communications on a per-minute basis. The company has become a telecommunications operator using military means. Among the results has been the entry in service of the Skynet family of satellites (Skynet 5A, Skynet B and, soon, Skynet 5C). Added to this is an innovative business structure, thanks to the private financing initiative (PFI) concluded between the MoD and ASV. However, the interest of the operation lies not so much in the method of financing but rather in the practical experience gained. Militaries are readily buying

without having to worry about the infrastructure or technical difficulties. They rely entirely on the industrial in a relationship based on trust, which makes it possible for the MoD to request additional services from time to time. Generally speaking, Skynet 5 is not limited to the United Kingdom. Paradigm also supplies other countries and organisations, among which Portugal, The Netherlands, Canada and even NATO. Regarding NATO, this is carried out in coordination with France and Italy.

EADS "AIR SERVICES": ALWAYS "IN TOUCH" WITH THE CUSTOMER

Today, security is no longer just a maritime affair. Homeland security also involves the entire air and ground spectrum. National territory must be protected against acts of aggression, and not only those of a military nature. Gradually, security and defence are converging, creating new constraints (surveillance...) that industrials are trying to respond to. Within EADS "Air Services" branch, this need has already been anticipated, with, initially, limited means, but a particularly original approach.

Pilot training, deployment of aircraft in civil security missions, customised air transport... EADS "Air Services" branch has an operational approach to its services activity. In order to successfully broaden its customer base, the European group has favoured extensive preparation: striving for quality by taking the time to better understand the full range of aeronautic activities. Divided between its Elancourt location (France) for the sale, design and deployment of services, Cognac for training, Nîmes (operational training, maritime surveillance, anti-fire combat) and Montpellier (medical evacuation, public transport), "Air

Services" is building its expertise every day thanks to contacts with its customers (air force, navy or SAMU, the French emergency services). Its field of action is expanding due to the flexibility of its offerings that anticipate customers' needs while adapting to them.

In order to provide total coverage, two subsidiaries have been created: ECATS (EADS Cognac Aviation Training Services), created in 2006, and AVdef, which has a public transport fleet consisting of a Falcon 10, a Beechcraft 90 as well as two Beechcraft King Air 200s, each one equipped for medical evacuation. The Cognac training location inaugurated by the French air chief of staff is for the armed forces the proof that "win-win" solutions exist. The company's mission is to provide guaranteed daily availability, according to the Cognac piloting school's statement of requirements. Training is still carried out by air force pilots, while ECATS manages its fleet of 46 TB 30 Epsilons and 18 Grob 120s with, depending on the weather, an average of 21,000 flying hours per year. For the French air force, "it is the end of our worries," according to one officer. Indeed, the

responsibility of making sure aircraft are available for about 100 flights each day is an important one for the company's teams. For the air force, exploitation costs have decreased tremendously, by more than 35 per cent, and trainees are operate modern aircraft (latest navigation and computer systems...).

This results-oriented policy also concerns AVdef, which maintains strong ties with Defence. Three Falcon 20s are devoted to air defence systems training using tracked targets, or dropped from a Falcon (up to 25,000 feet). Each target is fitted with a range of specific equipment, designed to produce a particular optical signature, an electromagnetic field as well as an infrared point. In order to reproduce the extreme conditions in which forces operate, training conditions are often harsh (weather, etc.). AVdef thus offers realistic electronic warfare training conditions.

In the maritime surveillance sector, the services function enables area surveillance thanks to multi-mission aircraft, such as the F-406, which features an advanced radar. Civil security and firefighting missions (e.g. forest fires) are carried out by a Bell 205 helicopter.

EXAMPLES OF "SERVICES" KNOW-HOW

► Welfare essentials

During overseas operations, whatever the area of forces engagement (Iraq, Afghanistan...), soldiers need welfare systems that allow them to stay in touch with their families. EADS Astrium Services thus provides the French troops abroad with a dedicated Welfare system (Passerel communication system).

► PMR: promoting integration

EADS Secure Network has been developing its "services" know-how for several years now. In particular, this activity focuses on PMR (Professional Mobile Radio-communication), which has been significantly reinforced since the acquisition of the PMR branch of the Finnish company Nokia.

► Airbus "Services"

When it comes to training, Airbus has valuable expertise. The company has three international poles dedicated to service activities: Toulouse, in France; Miami in the U.S.; and Beijing, China. The goal is to provide the customer with a complete range of services (cabin, crew...).

ASTRIUM SERVICES: WHERE COMPETENCIES CONVERGE

The development of Astrium Services and the reinforcement of its competencies continue to grow. First, the number of employees has increased from 300 to 1,800, following the acquisition of the British company GPT, whose activity is to provide communication means to the Saudi Arabian national guard. Second, two joint ventures have been created: Infoterra Servicios de GeoInformacion SA, in partnership with the Cartographic Institute of Catalonia and Hisdesat Space Services; Axio-Net, in partnership with Allsat Network which provides services for navigation and positioning throughout Europe (differential GPS system is used, enabling localisation of a point within 2 cm). Astrium Services thus offers know-how in telecommunications, geo-information and navigation. These three pillars can also be combined to offer new capabilities to armed forces. Hence, in terms of positioning (operational service since 1 March 2008), Axio-Net's competencies include offers

geared towards transport or energy companies (pipeline surveillance...). Eventually, this should also be of interest to armed forces.

In the defence field, a contract was signed in 2005 (convention Astel-S) with the French Ministry of Defence to provide satellite telecommunication services. The system works on the civilian bands Ku and C as well as on the military band (SHF). This allows data transfer, video-conferencing or Internet access. For this contract, EADS has teamed up with the company London Satellite Exchange. In Germany, a common company has been created to manage satellite telecommunication systems for the German armed forces. Called Satcom BW, the programme provides a large services offer, from data-exchange to video.

Finally, service increasingly involves image services for institutional customers.

As for the Infoterra GmbH group, a wholly owned subsidiary of Astrium, its goal is to commercialise TerraSAR-X, a commercial radar satellite that offers one-metre resolution. The contract benefits from the know-how of Spot Image, the commercial operator of Spot satellites.

Spot Image relies on a network of distributors as well as on international subsidiaries (China, U.S., United Arab Emirates...). In the defence and security field, as the Kosovo experience or targeting operations in Afghanistan have proven, access to precision cartography can be crucial for units on the ground. With its multi-resolution (from one metre to one kilometre), and its ease of use, Infoterra could no doubt make life easier for many military personnel, especially when it comes to "cold planning," intended to prepare, in a prospective way, future operations in the event of crises.

OTHER EXAMPLES OF "SERVICES" KNOW-HOW

➤ Acropol for security

Following the signature of a contract, the international group Cegelec has delivered to EADS Defence and Security Systems, telecom shelters for the Acropol system, dedicated to providing digital radio-communications for the French national police forces. Acropol, developed by EADS, makes it possible to exchange voice and data information. Autonomous, it is also encrypted and secure.

➤ Innovative financing

Private Financing Initiatives, public-private partnerships... Innovative ways of financing are often used when it comes to services. The United Kingdom seems to be the exception, as it is systematically using outsourcing and PFIs, as with for Paradigm. With Skynet 5, the contract was concluded on a commercial basis, and then refinanced.

➤ Teleport from Toulouse

Astrium Services has built a teleport in Toulouse, and is completing a satellite infrastructure network in France, something that already exists in Germany and the U.K. Astrium thus offers its customers an additional means of satellite communication for telephony services, notably VoIP (Internet Protocol) and VPN (Virtual Private Network) secure networks...

MBDA “SERVICES” ACTIVITY

When MBDA sells a product, it is supposed to be used only in case of armed conflict. Missiles are generally stocked and rarely used. Hence, customers have generally neglected the availability of their missiles, which require careful maintenance. However, in recent years, needs have changed and missile systems manufacturers have had to adapt and anticipate an exponential growth in demand for “services.”

Two kinds of services are available. The first one is traditional and concerns maintenance. MBDA delivers a ready-to-use product in the form of a package that includes

training, maintenance, spare parts and others components. The second service is more innovative and is more of a long-term contract in terms of operational availability. Regarding the Mirage 2000-5, MBDA made a commitment to total availability in terms of number of hours (about 250 hours per year), with mandatory results.

The current tendency calls for more flexibility. Some customers, such as Taiwan, have opted for traditional support integrating a product reliability study. Within the framework of one system (Scalp...), MBDA is considering developing offers that guarantee

available quantities. The company is offering to make a fleet of missiles, located on bases, available to customers, according to the operational requirements of each customer. In France, the Ministry’s approach is not a systematic offer of “services,” contrary to the situation in the U.K. The British customer, in matters of “air defence” support has chosen a particular type of contract, over a 13-year period, called Adapt. The flexibility requirement has led MBDA to consider developing partnerships with companies such as AVdef, in order to find solutions for test campaigns (operating targets...).

WAITING FOR THE CULTURAL BREAK

The future of “services” activity is solid. There is no shortage of ideas to develop. Many players are developing global solutions for all kinds of products, from missiles to the A400M transport aircraft. The goal for the customer is to save money within a context of tough budgetary constraints. In agreement with the company, which will have to reorganise as a result, the customer could define a more or less significant initial investment for a first batch. Hence the contract would be less a product acquisition than an end-to-end services offer over a long period. The contractors just have to define the terms of the agreement regarding the minimum

quantity of equipment to be provided.

“Things are gradually moving towards the provision of equipment. Selling alone, based on major programmes, is no longer relevant,” said a senior French officer. Indeed, in France the new trend is flexibility and outsourcing. The idea of purchasing a service in association with the product (such as the launch that goes with a satellite) is not yet systematic, as in the U.K., but the French customer is changing.

The report on outsourcing by French MP Marc Francina also notes this future “leasing” type of

contract, adapted to defence needs, notably very long-range aircraft. “While the acquisition of two aircraft represents immediately a great deal of money, the Defence Ministry has signed a leasing contract for two Airbus A340s over five years, with two optional batches of two years,” the report indicates.

In order to succeed at this services offer, Guy Tessier, president of the French National Assembly’s defence committee, has called for a cultural break with tradition. Behind this growth in services, the operational future of armed forces is at stake