

Understanding OCCAR – Organization for Joint Armament Cooperation

Potential Tool in New Era of European Arms Procurement

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As Europe enters one of the greatest economic transitions in history, governments and defense industries are struggling to determine the best way to manage large multinational-defense procurements. Driven by criteria set forth in the Treaty of Amsterdam and Maastricht, the European Union is integrating portions of its economies and changing over to a single currency. This will reap tremendous benefits and open up new venues for conducting international business.

Although national-economic benefits are derived from participating in multinational-defense programs, they are costly and inefficient. A complex web of sovereignty, unanimity, reciprocity, and varying political agendas converges to stymie them. The political environment is now ripe for productive change. OCCAR is just one tool being explored by Western Europe to overcome the political realities and inertia associated with multinational-defense programs.

What is OCCAR?

Created in 1996, OCCAR stands for Organisme Conjoint de Coopération en matière d'Armement, or in English, Organization for Joint Armament Cooperation. Its purpose is to manage collaborative multinational-defense programs across a broad spectrum of programs and activities within OCCAR's domain. Its goal is to reduce defense costs, increase competition, and maximize economic benefits. OCCAR is an evolved form of collaborative manage-



"IT'S A GREAT COUNTRY TO VISIT," REMARKED DEPUTY SECRETARY OF DEFENSE JOHN HAMRE, AS AIR FORCE LT. COL. HELMUT REDA WELCOMED HIM TO THE AMERICAN EMBASSY, THE HAGUE, NETHERLANDS.

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ment that challenges the traditional-European paradigms concerning consensus decision making, worksharing, rationalization, and procurement authority.

Current Status

France, Germany, the United Kingdom, and Italy provide about 90 percent of the European-defense-industrial base and are the initial partners in OCCAR, with The Netherlands and Belgium contemplating membership in the light-armored vehicle facet of the program. OCCAR formally commenced work Feb. 4, 1997, and established offices in Bonn, Germany, staffed with about 100 people. Thus far, they have integrated the following multinational-defense programs into the OCCAR structure and domain: MILAN, HOT, ROLAND, BREVEL, and TIGER. The COBRA, TRIMILSATCOM, FSAF, TRIGAT, and PzH2000 are in the process of being integrated. Meanwhile, they are awaiting an EU decision to accredit their legal identity to issue contracts by the year 2000.

Origin and History

Perhaps the greatest obstacle to the formation of OCCAR began with the creation of the European Union in 1957 and the Treaty of Rome. Article 223 allowed EU laws to exclude defense companies from competition or mergers as the sovereign right of each nation to protect its defense industry. Article 223 became the "Holy Grail" of governments, and it was used to monopolize their defense industries – stifling collaborative cross-border procurement of defense items.

After 1976, European thinking started to drift toward more open collaborative programs. In 1991, the Maastricht Treaty planted the initial seed for a pan-European arms-procurement agency for the Western European Union nations of Belgium, France, Germany, Greece, Italy, Luxembourg, The Netherlands, Portugal, Spain, and the United Kingdom. This initiative was known as the Agence Européenne de l'Armement.

In 1995, the Baden-Baden summit established an initial set of principles for

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efficient collaborative-management practices. The Baden-Baden principles also established the initial framework for OCCAR. In 1996, a quadrilateral memorandum of understanding was signed in Strasbourg, France, creating OCCAR.

A Unique Approach

Through the years, European managers developed a unique portfolio of effective collaborative skills and techniques. These ideas were canonized in the Baden-Baden principles. Offering European nations an alternative means of breaking away from traditional, and often inefficient, collaborative management and procurement practices, OCCAR incorporates new techniques on decision making, work share, rationalization, and procurement authority.

OCCAR is also exploring a more flexible decision-making process. The principle of unanimity still stands for existing programs and partners, but there is a move away from consensus decision making. New decision-making methods

that are more quantitatively oriented, using weighting factors and Pareto concepts, are being explored. Although specific details have not been revealed or executed, if successful, these new quantitative tools will be a monumental step in the democratic decision-making process with applications to other forums and industries.

The concept of work share is also being refined to expand the scope and flexibility of reciprocity. OCCAR renounces "juste retour" for each individual program and tries to achieve fair equity between partners over a wider spectrum of programs, activities, and time. Work will be allocated over several years based on competition, best value, and globalized return.

In 1998, the European defense industry began consolidation and rationalization of its industrial and technology base. One of OCCAR's objectives is to obtain a more efficient and integrated industrial process. To achieve this, OCCAR will selectively exploit, leverage, and rationalize leading industrial positions of partner nations to promote efficient supranational industrial groups.

To manage collaborative programs efficiently, OCCAR seeks to acquire a unique legal identity with the authority to establish procurement procedures, award contracts, and manage programs. OCCAR requested a legal status with the Western European Union, but it was resisted by Spain and Greece over the requirements to eliminate "juste retour." France, Germany, the United Kingdom, and Italy still seek to establish OCCAR's legal status with the European Union.

Who Can Join?

OCCAR is founded on the principle of an open structure to efficiently manage many projects for many countries. The aim is to open OCCAR to other nations once they achieve stability. Currently, no nations are excluded from joining OCCAR, as long as they:

- Provide significant contribution to the overall effort.

- Agree to the principles of OCCAR.
- Agree to grant OCCAR the freedom to efficiently manage programs and select prime contractors.
- Are not a security risk.

Non-Western European Armaments Organization nations must have unanimous agreement from all OCCAR partners before joining. This opens up the window for trans-Atlantic opportunities, but probably not before OCCAR proves itself to European leaders. Currently, the United States does not participate in any OCCAR projects and would require unanimous approval from OCCAR members to join.

Ensuring Survival of European Defense Industries

As national-defense budgets decline and Europe's global-market share is threatened, European leaders are looking for ways to ensure survival of their defense industries. This challenge calls for a new organizational entity that can delicately balance sound business principles with political realities. The leaders of France, Germany, the United Kingdom, and Italy believe the solution lies with OCCAR.

Legal identity is a serious limitation to OCCAR's autonomy and efficiency. If OCCAR obtains legal status, it will become the initial seed for a pan-European arms procurement agency and potentially serve as the template for the next generation of European procurement or-

ganizations for other industries as well. That's worth taking note of!

What's the impact to the U.S. Defense Industry? It's too early to tell, but it has already limited U.S. access to initial OCCAR projects and has set a bad precedent toward future involvement. OCCAR's future remains uncertain as European leaders concentrate on re-assessing the roles of current-government institutions like EU, Western European Union, and NATO. Although these institutions do not directly compete with OCCAR goals, they are closely coupled and pursue similar agendas. As European defense consolidation hastens, some question the need for OCCAR and further government intervention.

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