

# NAVAL TECHNICAL SUPPORT OF DEFENCE SALES

BY

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## **Organization and Tasks of Defence Sales**

The Head of Defence Sales (HDS) is responsible to the Permanent Under Secretary of State, Ministry of Defence (PUS) and to the Chief of Defence Procurement (CDP). HDS has three deputies, and they and their tasks are briefly described as follows.

### *Military Deputy to HDS (MD/HDS)*

The Military Deputy is a senior officer from one of the three Services who has a staff of, primarily, serving or retired officers. His tasks, carried out by the Director of Marketing and the Assistant Military Deputy (AMD/HDS), include the provision of advice and assistance on Service equipments to overseas Governments and U.K. manufacturers. The term 'U.K. manufacturer' embraces any organization which sells military hardware or information overseas, e.g. shipbuilders, royal ordnance factories, consultants, and manufacturers. MD to HDS is responsible for the mounting of presentations and demonstrations by Service personnel in ships and establishments in support of Sales Directorates. He is also responsible for MOD-sponsored exhibitions of R.N., Army, and R.A.F. equipment.

### *Deputy Head of Defence Sales—AUS (Sales)*

The Assistant Under Secretary (Sales) is a senior civil servant who is responsible for the four Directors of Defence Sales. Each Director of Defence Sales specializes in the sale of military equipment to a number of countries in a particular geographical area so that a natural grouping is achieved under each of three or four assistant directors and their desk officers. It is the primary duty of each Assistant Director to know the senior officers of each Service in the countries of his group and to be able to discuss all features of the equipments with which each overseas officer would be concerned. To do this he requires, to a greater or lesser extent, technical briefings and advice. He also has considerable responsibility for arranging financial terms contracted by U.K. manufacturers where MOD interests and rights are involved.

### *Assistant Under Secretary of State (Sales Admin)—AUS (Sales Admin)*

AUS (Sales Admin), also a senior civil servant, is responsible for the administrative aspects. He controls the Defence Sales Secretariat (DS 13) and the Directorate of Sales Supply. DS 13 is responsible for much of the political and security matters connected with the sale of military equipments. Sales Supply is responsible, inter alia, for the post-contract aspects of warships being built in the U.K. for overseas Governments, for negotiating the sale to overseas Governments of second-hand R.N. ships from the disposal list. He is also responsible for the supply of U.K. stores and spares for new and second-hand ships (where these items are in use by the U.K. armed forces) and the policy for the support of these equipments after removal from the U.K. armed forces. The ASR1 diesel engine is a current problem being reviewed.

## **Tasks of Directors of Defence Sales**

As already stated, each Director specializes in the sales of U.K. military

equipment to overseas Governments. The relationship between Defence Sales, U.K. manufacturers, and overseas Governments is as follows. The role of the Ministry of Defence (initially undertaken by Defence Sales) is like that of a broker. A broker, having found a customer who wishes to purchase a product, has the responsibility of introducing him to a manufacturer who is able to sell that product. For this, a broker usually takes a fee or commission; the Ministry of Defence does not. Certain services provided by other Ministry of Defence Departments are, however, charged. AUS (Sales) and his Directors require technical support from other Departments to assist in the role of broker.

U.K. manufacturers, in furtherance of sales overseas, seek assistance from the Ministry of Defence through Defence Sales either in the form of marketing or technical advice or to obtain security clearance. All involved with military sales must know the security classification of equipments and associated technical information, and whether approval has been given to release the appropriate information. Approval for the sale is sought after technical and financial discussions have been well progressed and, it is hoped, follows naturally on approval to release information.

To give this support to manufacturers, the Sales Desk Officers use information from many sources within the Ministry of Defence, e.g. Defence Sales (Marketing and Defence Secretariat 13), Director of Naval Assistance Overseas, Director General Ships, Director General Weapons (Navy), Director General Supplies and Transport (Navy), Chief Executive Royal Dockyards, Director Naval

TABLE I—\* *Defence Sales: Naval contacts within the Ministry of Defence*

<i>Department</i>	<i>Responsibility</i>
DG Ships (Foxhill, Bath)	Hull Propulsion Electric power Accommodation Shipbuilding contracts Oversight
DGW(N) (Ensleigh, Bath)	Weapons Sonars Communications Captain, Weapons Trials Oversight
CED (Carpenter House, Bath)	Dockyard installations Refit assistance
DGA(N) (Golden Cross House, Strand)	Aircraft Flight decks
DGST(N) (Ensleigh, Bath) (Empress State Building)	Stores and Transport After sales support Support ships
DNFCT (Fort Southwick, Portsmouth)	Foreign & Commonwealth naval training
DNAO (Old Admiralty Building)	Naval assistance overseas Naval Staff aspects
Sy(PE) (Fleetbank House, Salisbury Sq.)	Security for MOD(PE)

\* Main Building, Whitehall  
Stuart House, Soho Square  
St. Christopher House, Southwark Street

Foreign and Commonwealth Training, and Security Procurement Executive (See TABLE I).

Defence Sales has close contact with Naval Attachés and Naval Advisers abroad. Each British Ambassador is advised on military matters by Service Attachés one of whom will have naval responsibilities. Similarly, British High Commissioners in Commonwealth countries are supported by Advisers who carry out duties identical to those performed by attachés.

Information on military sales is passed between Defence Sales and Embassies and High Commissions by normal diplomatic channels. Defence Sales is, therefore, able to pass on advice to U.K. firms on the best line to take with respect to their sales promotion activities.

A representative of Defence Sales or any other Department travelling abroad can obtain the latest advice on the political, operational, and technical situation from the attaché before the discussions take place with an overseas Government. Likewise, attachés must be kept informed of the situation at home and for this, in addition to specific information, they receive a Defence Bulletin regularly.

### **Naval Arms Export Committee**

Until a contract is signed, no sale is a certainty. It is important that all Departments and Directorates are informed of potential sales of naval equipments and services to overseas Governments and likely dates. This is achieved by discussion in the Naval Arms Export Committee (NAEC) which draws together the representatives of a wide range of departments (See TABLE I).

The NAEC aims to keep information flowing in the Ministry of Defence and to do so meets about three times a year. Much additional information gleaned by members in the ordinary course of their day-to-day business is fed into the system at these NAEC meetings.

The majority of initial contacts are made by manufacturers directly with overseas Governments. The Ministry of Defence will invariably become involved to give security clearance and may also be involved if requested to oversee the manufacture of the equipment even though it is a wholly commercial design.

Where there is MOD involvement in the design, the manufacturer will be required to pay a design fee, now known as the Commercial Exploitation Levy.

On completion of a contract, a Government Export Licence will be necessary.

#### *Clearance to Discuss with an Overseas Government or Firm*

The clearance to release information will take into account its technical and security classification. This involves the security classification of the equipment.

Technical departments have a considerable involvement in these clearances, e.g. design information, Naval Engineering Standards, processes such as glass-reinforced plastic hulls, and performance information such as noise and shock.

Security clearance is only granted for a period of one year.

#### *Commercial Exploitation Levy*

A Commercial Exploitation Levy will be charged by the Ministry of Defence on completion of a sale. The amount of the levy is assessed as a percentage of the contract price taking into account the proportion of MOD funds used in the development of the design or the production of the equipment. The levy is applicable to ship designs, equipment designs, use of MOD-owned tooling, and information made available in handbooks, drawings, and other documentation.

Great care is taken to assess a fair and reasonable levy. This is carried out by technical costing groups for ships and equipments and by Defence Sales for handbooks.

### **Memorandum of Understanding**

A Memorandum of Understanding (MOU) is a document between Governments in which specific services such as oversight, training of personnel, trials, etc. in support of a contract are agreed. This document also details what other services will not be undertaken or provided. The MOU, however, is not legally binding and can generally be terminated by either side at any time.

MOUs are drafted by the appropriate Assistant Director Defence Sales after full consultation with all Departments concerned. An overseas Government may require in the contract with a shipbuilder or manufacturer that the Ministry of Defence oversee the work. The design standards and working drawings that are quoted in the contract and the specifications as agreed between the shipbuilder or manufacturer and the overseas Government frequently differ from MOD design standards. Oversight by the two major Departments (Ship and Weapon Departments) is described later.

Advice and service offered by the MOD to an overseas Government is on a no-liability basis. The standard of oversight, however, is of the same quality as that given by the overseers for a MOD contract. An overseas Government may place their own Delegate resident in a shipyard; he would be advised by the MOD overseers. When there is no delegate, the overseer deals directly with the shipbuilder on behalf of the overseas Government.

An Agency Fee is charged for these services and is negotiated as part of the MOU. It is generally a percentage of the contract price. Rarely is it possible to quote an actual price as the task is usually indefinable.

### **DG Ships and DGW(N) Overseers**

A Principal Naval Overseer (PNO) is appointed to each warship-building shipyard. His team consists of constructive, mechanical, electrical, and weapons overseers. A Naval Ship Production Overseer (NSPO) and a Naval Weapons Production Overseer (NWPO) in each regional centre is responsible for production overseers who visit the various factories where equipments and spares are being manufactured for the MOD. All PNOs, NSPOs, and NWPOs are responsible to the Director of Naval Ship Production (DNSP) in the Ship Department or the Director of Weapon Production (DW Prod) in the Weapon Department.

The tasks of these overseers are numerous, covering all aspects of shipbuilding and equipment manufacture that concerns the MOD, for example:

- Quality Assurance defining standard of workmanship.
- Programming the contract.
- Specification and approval of working drawings.
- Installation inspections of equipments and systems.
- Concessions (agreeing discrepancies).
- Arranging trials and tests by CWT, MTU, etc.
- Initiating stage payments.

The procedures have evolved over the years meeting the continually changing conditions within the shipbuilding and manufacturing industries and the MOD itself. During the past decade, Quality Control (QC) and Quality Assurance (QA) procedures have enabled both these industries to assume responsibility for their own inspections during production. This has allowed the MOD overseers to limit the amount of inspection and to concentrate on an auditing procedure of the firms' QC and QA.

The degree of QC and QA that a firm may undertake is assessed by specially trained teams of technical assessors; details of this procedure are given in an article on the procurement of equipment for ships by Mr. A. J. McMaster

(*J.N.E.*, Vol. 25, No. 1, p. 44). Overseas Governments are at liberty to contract for an order to a specific Defence Standard.

Full oversight can be, and often is, provided for an overseas Government if required; alternatively, any of the tasks can be negotiated separately in a MOU.

If a Delegate is appointed by an overseas Government, he is responsible for the satisfactory implementation of the contract on behalf of his Government. The PNO and NSPO is then responsible for advising the delegate on how best to conduct his business. For example, the delegate may need advice before approving working drawings prepared by the shipbuilder to the standards called for in the contract or specification.

When no delegate is appointed, any advice is offered within the context of the MOU to officers standing by. If there is no officer standing by, such advice would be passed direct to the shipbuilder or manufacturer.

A delegate enables an overseas Government to have constant contact through the PNO or NSPO with all Departments of the MOD.

### **Stores, Spare Gear, and Documentation**

The after-sales support of ships and equipments sold to overseas Governments is becoming more important. In this context, equipments can be divided into two categories.

#### *Equipments in use in the Royal Navy*

For these, an overseas Government has a variety of options. Spares may be ordered direct from the manufacturer and should a technical query arise the manufacturer or the country's attaché will seek assistance from Defence Sales Supply who, in turn, will consult the appropriate Department. On the other hand, the order may be placed directly on Defence Sales Supply who will order from a manufacturer or from SPDC(U.K.), great care being taken to ensure that supply to R.N. ships is not prejudiced. Certain overseas Governments have direct access to SPDC(U.K.) as arranged by a MOU.

Overseas Governments are kept informed of the introduction of alterations and additions and of equipment modifications so that they may participate in the R.N. bulk buy of parts should they so desire.

Overseas Governments known to have particular equipments in service are advised through Defence Sales Supply when such equipments become obsolete. The MOD and overseas Governments then assess the future requirements so as to place a 'Life-of-Type' buy on the manufacturer if desired.

#### *Equipments not in use in the Royal Navy*

Only in special cases can assistance be given by the MOD to obtain spares when an overseas Government has purchased non-service equipment.

#### *Documentation*

Amendments to BRs and Departmental publications which have been supplied to an overseas Government are provided automatically. Initial documentation is supplied only on request and on a need-to-know basis. The cost of documentation not in support of a sale is assessed by the Department concerned. Where documentation is not in support of a sale, its cost will be assessed at a higher rate.

### **Briefing of Naval Attachés and Advisers**

Naval Attachés and Advisers designate are thoroughly briefed by Naval Departments on matters concerning foreign sales before taking up their appointments. A one-day visit to Bath only allows DG Ships and DGW(N) to give the briefest of briefings; however, this is usually tailor-made to cover the

contracts and potential sales to the country in question. Needless to say, this initial contact provides a good introduction between the technical Departments and the Attachés for the future.

### **Overseas Visits**

When a shipbuilder or manufacturer asks for MOD officers to be in attendance during an overseas sales visit, he must first contact the Defence Sales Desk Officer responsible for the country concerned. The Desk Officer will then advise him whether the Attaché in the country can give him the support he needs or whether he should be accompanied by an officer from Defence Sales or another Department. Defence Sales would normally cover political and financial support and advise accordingly, and only call in another Department when a simple brief is inadequate. DG Ships, DGW(N), CED, DGA(N) can provide technical support if required.

The 'weight' of support will vary according to the level of contact to be made and degree of expertise required. In general, the Overseas Sales Sections within the technical Departments are able to meet the requirements and are qualified to give advice on security aspects. In many instances the officers in these sections have already met the naval and civilian contacts through previous visits to and from the U.K., and this contact most usefully provides an excellent basis for discussions and advice to industry.

### **Royal Naval Equipment Exhibition**

Five exhibitions have been held at two-yearly intervals; the first in 1971 at the White City London and subsequently at the Royal Naval College, Greenwich. In 1978, it was decided that the area available would be too small for RNEE '79 and, as a result, RNEE '79 was held at H.M.S. *Excellent* on the parade ground and surrounding area. Many judged it to be the best exhibition of naval equipment so far held either in the U.K. or abroad. Exhibits ranged from boats and even larger equipments down to small components and specialized naval clothing. Visits to a number of H.M. ships are also organized.

The Exhibition is managed by the Director of Marketing whose task it is to co-ordinate the exhibitors and their many products so that foreign naval officers and industrialists have an opportunity to meet as many U.K. shipbuilders and manufacturers of defence equipments as possible. The Exhibition Steering Committee has members from many Navy Departments, the Trade Associations, and other naval authorities.

Naval technical support is given through the DG Ships, DGW(N), CED, and DGA(N) members of the Steering Committee and, in particular, they give guidance and advice to exhibitors on security matters and on presentations and exhibits.

RNEE '79 was the first occasion when separate stands were prepared by DG Ships, DWG(N), and CED who demonstrated their sales support activities.

### **Liaison Officers**

When an overseas Government wishes to use facilities for one of their ships for post-acceptance trials, basic operational sea training, or even self work-up in U.K. operational areas, a R.N. liaison officer (RNLO) is appointed to assist the Commanding Officer to prepare the ship's programme. The tasks of such a liaison officer have not yet been precisely defined although they are under discussion at the time of writing. Nevertheless, within a Flag Officer's Command, liaison with the authorities for the provision of stores and repair and recreational facilities are expected to be included. Experience has shown that the first task of a RNLO is to encourage the Commanding Officer into action after a lengthy period of inaction while standing by.

It is the responsibility of a RNLO to an overseas Government to ensure that the maximum value is obtained from the services and facilities offered in the MOU. At the same time, he should endeavour to ensure that the ship does not unduly interfere with the day-to-day operations of our own ships and dockyards.

The responsibility of a Range Safety Officer during post-acceptance trials involving live firings may also become one of the tasks of a RNLO if he is suitably qualified.

### **Concluding Remarks**

The sale of warships and equipments to overseas Governments is having to evolve in a similar manner to that of other U.K. industries which are experiencing competition from less industrialized countries. These countries usually have cheap and ample labour resources and are now able to manufacture the less sophisticated ships and equipments after the transfer of basic technology. As a result, our shipbuilders and manufacturers are finding it more difficult to compete with the price of their products.

U.K. industry is responding by offering specialized, high-technology products. Some of these products are being manufactured under licence by overseas Governments. When an overseas Government wishes to build a number of warships to a U.K. design, British Shipbuilders recommend that the first-of-class is built in the U.K. so that the guaranteed performance is evaluated before any follow-on warship is built overseas.

Much of the high technology is owned by the MOD and its transfer to overseas Governments is becoming a major activity of the Overseas Sales Sections of the technical departments.

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