

# BAE SYSTEMS

# Alternative

# Report 2002

**Following a string of acquisitions and mergers, BAE Systems is presently the world's largest arms producer. Military equipment accounts for around 75% of total sales, with the United States as its primary customer. BAE Systems has a history of indiscriminate selling of arms to repressive regimes and regions of conflict.**

## Introduction

According to BAE Systems' effusive preliminary results, "2001 was a year of changes in the marketplace, most notably in the aftermath of the terrorist attacks on 11 September 2001 in the United States." These "changes" were greeted as "a boon for the defence industry" (*Jane's Defence Weekly*, 03/01/02), accompanied as they were by a 32.6% increase in profits from 2000, and a 30% increase in BAE Systems' share price within a few weeks of the attacks.

Similarly, the day NATO started bombing Serbia in March 1999, shares in the company rose faster than any others on the index. Three weeks later they were still on the rise as the war dividend, fuelled by relentless bombing, began to bear fruit.

These human catastrophes have aided BAE Systems in its quest to become "one of the dominant global players through this period of change",<sup>1</sup> as its acquisition of Lockheed Martin's Aerospace Electronics Systems (now BAE SYSTEMS Information and Electronic Systems Integration Sector) made it the world's largest arms company (*The Economist*, 02/12/00).

Clearly, BAE Systems takes it as axiomatic that peace and stability are to be viewed with contempt, and nothing could demonstrate this better than its continuous supply of Hawk jets and other weapons to Indonesia since 1978 (the year when Indonesia's massacre of the East Timorese reached

genocidal levels).

The company's new name, "BAE Systems", proclaims that the company no longer sees itself exclusively as a manufacturer of 'platforms', such as planes and ships, but as a designer and integrator of the electronic circuits that are the key to the functioning of modern weaponry. There is even a suggestion that it may get out of platform-building altogether. This trend is linked with the other major shift in its orientation, which is towards the immense US market.

Already some 30 per cent of its sales are to the US Department of Defense, as against only 16 per cent to the MoD, and its North American workforce is variously stated as 18,500 and 25,000. It has been said that "the hinge of the company's destiny is in the United States" (*JDW*, 26/07/00).

<sup>1</sup> Sir Richard Evans CBE, "BAE SYSTEMS – From National Company to Global Player", Speech to the British Swiss Chamber of Commerce, Zurich, 20 March 2001

## 2001: A Sleaze Odyssey

The international arms trade is, in the words of Transparency International's Joe Roeber, "hard-wired for corruption," partly because governments sanction and enforce the strictest possible secrecy over every aspect of its operation. Despite this, there are many documented cases of corruption, scandals, and outright criminality within the industry. It is clear that Western arms companies routinely bribe the political and military elites of countries into buying arms they may not need and certainly cannot afford.

BAES has, in the past, been caught up in more than its fair share of scandals and 2001 has been a particularly embarrassing year for BAES in this respect:

## South Africa

The "Joint Investigation Report into the Strategic Defence Procurement Packages" carried out by the South African government has investigated allegations, some of a criminal nature, against the ANC and various European arms companies.

The inquiry has focused on a £3.9 billion deal that includes the purchase of Hawk and Gripen aircraft, from BAES and BAES/Saab-owned Gripen International, respectively. The South African Air Force has ordered 28 Gripen swing-role fighter planes, at a time when the country's resources are desperately needed to combat social deprivation and the AIDS crisis. As a leading defence journal put it, "it is clear from the 1996 Defence White Paper and the Defence Review that followed that the country faces no immediate military threat.

# Basic figures

(1996-99 sourced from SIPRI Yearbooks; 2000 sourced from Defense News 30 July-5 Aug 2001 & BAES 2000 Annual Report; 2001 sourced from BAES 2001 Annual Report)

YEAR	NUMBER OF EMPLOYEES	ARMS SALES (US\$M)	TOTAL SALES (US\$M)	ARMS SALES AS % OF TOTAL
2001	94,700		19,000	
2000	100,700	13,248	18,399	72
1999	71,150	15,470	20,050	77
1998	47,900	10,520	14,264	74
1997	43,400	10,410	13,996	74
1996	47,000	8,340	11,621	72

The only invasion underway is of refugees and economic migrants and the only conflict, the dual “campaigns” against poverty and disease – mainly HIV/Aids” (*Defence Systems Daily*, 15/10/01).

Other specific points of controversy include the allegations that:

- the price of the Gripen and Hawk were “improperly inflated” (Joint Investigation Report)
- senior South African government officials siphoned off millions of pounds from the Hawk/Gripen part of the deal, which amounts to £1.5 billion (*BBC Online*, 28/05/01).
- a £500,000 “donation” was made by BAES immediately after the contract was signed, to a project that is directly linked to the ANC (*BBC Online*, 28/05/01).

Although the inquiry found that “irregularities and improprieties... point to the conduct of certain officials of the government departments involved,” it somehow also concluded “no evidence was found of any improper or unlawful conduct by the Government.” This, despite the fact that in April 2001, the Franco-Ibero-German arms company EADS admitted to having effectively bribed the Chief of Acquisition of the South African National Defence Force and three other officials with motor vehicles, and the subsequent investigation resulted in the arrests of Tony Yengeni, Chief Whip of the ANC and Michael Woerfel, the head of EADS in South Africa. Because of this and other factors, the inquiry has been harshly condemned in South Africa as a whitewash.

## India

BAES found itself embroiled in the so-called “Hinduja scandal,” which prompted the resignation of Peter Mandelson in 2001. A former adviser to the Indian government claimed that the company paid a large “commission” to the Indian tycoons to fix a £1bn arms deal with the Indian Air Force for 66 Hawk jets. The resulting controversy ended in the resignation of India’s Defence Minister, George Fernandes, who was also accused of manipulating procurement of the Hawks and who, at a dinner hosted by British Aerospace in June 2000, sat between the company’s two senior executives, chairman Sir Richard Evans and then chief executive John Weston.

Despite this embarrassing setback, BAES continued to mount an aggressive push to sell 60 Hawk jets worth £1 billion to India, at a time when its dispute with Pakistan over Kashmir threatens to turn into a (potentially nuclear) war which would destabilise the entire region even further. Furthermore, at the same time Tony Blair was expressing the hope that the UK “could have a calming influence” in the region, defence

secretary Geoff Hoon was pressing the Indian Government to make a quick decision on the Hawks (*Guardian* 12/01/02). The proposed deal has been harshly criticised in India itself, with accusations that “the UK is fleecing India over Hawks”. (*Defence India*, 03/03/02).

## Blair, Hoon & Partners

New Labourite rhetorical flourishes aside, the UK government has gone well beyond the call of duty in its financial and diplomatic support for BAES, resulting in, for example, a threefold increase in arms exports to Africa since 1997.

The following clearly demonstrate how “Blair, Hoon & Partners” do BAES’s bidding, often against all better judgement.

## Western Sahara

On the 31<sup>st</sup> January 2001, Robin Cook said a bit more than he was supposed to in front of a select committee on strategic export controls. As a result, he inadvertently blew the lid on a £3.5 million BAES arms deal that most would regard as a breach of the EU Code of Conduct on arms exports. On 8<sup>th</sup> March, Newsnight on BBC2 exposed the extraordinary lengths to which the government is prepared to go in order to appease the BAES lobby. It also called attention to the plight of the Saharawi of Western Sahara, who for the past 25 years have been the victims of territorial claims by Morocco.

The story is as follows. In 1977-78, Royal Ordnance (RO) supplied thirty 105mm Light Guns to Morocco, where they were extensively used against the Saharawi until a cease-fire was put in place ten years ago. Since then, there has been a fragile balance of peace, with the RO guns taking pride-of-place as Morocco’s main weapon for keeping the ‘colony’ under control and the exiles out. Amnesty International reports that human rights violations against the Saharawi and members of their independence movement (Polisario), including disappearances, the violent suppression of demonstrations, and unfair trials, are commonplace and carried out with impunity. There are around 170,000 displaced Saharawi, most of them reduced to living in abject poverty in makeshift refugee camps across the Algerian border.

As recently as 1998, the late Derek Fatchett (then Foreign Office Minister) declared that the government, like the UN, supported “a free and fair referendum”, and that they “would not be able to reconcile this objective with supporting one side or the other... via the exports of arms”. Consequently, when RO (now a subsidiary of BAES) applied for an arms export licence

to refurbish the Light Guns, the government refused to grant one. On two further occasions, Fatchett maintained his objection to the licence. A third appeal from BAES resulted in the government agreeing to consult the UN in New York, and a team of Foreign Office officials then conducted seven meetings in New York, all at taxpayers' expense, between 1st February 1999 and 21st June 1999. The Foreign Office maintain that they sought and obtained formal permission from the UN, who moreover agreed to supervise the refurbishment process in Morocco. However, David Wimhurst, head of the UN Department of Peace Keeping Operations (DPKO), stated that there is no paperwork to back this up and, in any event, the DPKO would have no authority to grant or deny permission in this case. With regards to Foreign Office claims that the UN confirmed that refurbishment would not violate the ceasefire, Hans Correll, head of the UN's legal department, has said his department was never consulted. Also, MINURSO (the UN mission in Morocco) insist that they had no contact with the Foreign Office regarding possible 'supervision', a role they say they are not in a position to take on.

Nevertheless, Geoff Hoon accepted the BAES appeal in July 1999, and refurbishment is going ahead. Meanwhile, human rights violations in Western Sahara have been steadily increasing. Particularly shocking is the fact that two days before Robin Cook let the cat out of the bag, the *Sunday Telegraph* (28/01/01) ran a long feature entitled "Polisario ready for desert war with Morocco". The Foreign Office cannot claim ignorance that any arms deals with Morocco would be in breach of most of the criteria of the EU Code of Conduct. For example, Criterion Four states that member states will not issue licences if the recipient could use the arms "to assert by force a territorial claim." The granting of the licence in question not only violated the Code, but more importantly is likely to have precipitated further violent conflict in Western Sahara.

Licences for Royal Ordnance shotguns, submachine guns and spares, machine guns, revolvers, rifles, semiautomatic pistols, crowd control ammunition, and CS grenades were all approved during this period, and the latter two may well have been used in the violent break-up of a peaceful sit-in by Saharawi students in September 1999. Amnesty International reports that there were dozens of arrests and cases of torture and ill-treatment in custody.

## Tanzania

At the 2001 Labour Party Conference, Tony Blair spoke of how "the state of Africa is a scar on the conscience of the world" and committed himself and the UK to healing it. He spoke of debt relief, of fair trade, a kind of Marshall Plan for Africa. However, it soon became clear that, as pointed out in *The Guardian* (24/12/01), the "Marshall Plan" would turn out to be more of a "Martial Plan."

Evidence of Tony Blair's hypocrisy is not hard to come by. A £28 million deal between BAES and Tanzania (one of the most Highly Indebted Poor Countries in the world with a per capita income of £170 per annum and only eight military aircraft) for a military air-traffic control system has been widely condemned as a scandalous waste of already scarce resources. Nevertheless, the DTI granted export licenses in December 2001, despite the protests of Clare Short and Gordon Brown. Both are fiercely opposed to the deal, arguing that Tanzania should use the benefits of a \$1.7 billion debt relief package announced by the World Bank and the IMF in 2001 to boost spending on health, education and basic infrastructure rather than on this costly, unnecessary technology. Clare Short went

## Sir Janus

Sir Dick was with the company before it even existed. Having joined the Military Aircraft Division of BAC in 1969, he made the transition into the post of Commercial Director of the Warton Division of BAe in 1978. Throughout the 1980s he was responsible for Warton's links with Saudia Arabia and the Al Yamamah negotiations, which resulted in BAe supplying the feudal, brutal dictatorship with £20 billion worth of arms.

As a result, Evans moved up the ranks from lowly sales clerk to reputed "super-salesman", capable of selling sandpits to a Bedouin (given the full financial and diplomatic support of Her Majesty's Government). He was awarded a CBE in 1986 for "Services to Export" and was knighted in 1996. He was appointed Chief Executive of the BAe in 1990 and its Chairman in 1998.

The Economist gave Evans the nickname "Sir Janus" because of the somewhat schizophrenic identity he has forged for the company in recent years. On the one hand there is the urge to gain entry to the massive and growing US market, but at the same time to preserve its near monopoly of the UK market from both internal and external competition, which it had traditionally sustained by projecting an image (albeit false) of strong national identity and loyalty to British jobs and security. That this era has now passed is clear from Evans's own statements: "We have also brought about a fundamental shift in our defence business to reflect the growing emphasis on systems and the importance of the US market."<sup>1</sup>

Sir Dick is non-executive Chairman of United Utilities and an Honorary Member of the NSPCC – a cruel irony considering his company sells weapons to regimes whose human rights abuses have not stopped short of children.

<sup>1</sup> Sir Richard Evans CBE, "BAE SYSTEMS – From National Company to Global Player", Speech to the British Swiss Chamber of Commerce, Zurich, 20 March 2001

a step further in April 2002, stating that "I find it very difficult to believe that a contract like that could have been made cleanly, although I have no information to that effect." (*Financial Times*, 26/04/02)

However, Clare Short and Gordon Brown were overruled in Cabinet by the triumvirate of Blair, Hoon, and Straw.

Even the World Bank and the IMF are against the deal. A study carried out by the former is highly critical of the technology of the system and even more so of the debt problems it will cause Tanzania. It says that the BAES system is "too expensive and not adequate for civil aviation" and that much cheaper alternatives are available, ones far more suited to Tanzania's needs. The perversity of the deal becomes even clearer when one considers that £28 million amounts to about one-third of Tanzania's education expenditure.

There have also been reports that Ministers have refused to cooperate with a parliamentary inquiry into Tanzania's controversial plans to buy an air traffic control system from BAE Systems (*Financial Times*, 20/12/01). Patricia Hewitt, Trade and Industry secretary, angered MPs by not allowing DTI officials to give evidence to the Commons international development select committee about BAES's proposed deal.

Fortunately, the deal is on hold for the time being, pending an investigation by the International Civil Aviation Organisation into how appropriate the system is for the country. Allegations of corruption are, as yet, unsubstantiated but, considering

# John Weston

Shortly after the publication of the 2001 BAES Annual Report, John Weston, the Chief Executive, was forced out.

There are suggestions that tensions with the MoD played a significant part. *The Independent on Sunday* (31/03/02) reported that "the MoD was starting to feel 'bullied', which was leading to 'relationship problems' with Mr Weston". *The Business* (31/03/02) stated that "Ministry officials privately accuse BAE of trying to monopolise UK defence contracts and are not impressed by its habit of underbidding for them, then publicly complaining about the resulting problems and losses, as happened with Nimrod."

Whatever the reason, John Weston is now free to "pursue other interests". Lets hope they're less destructive than those pursued with BAES.

BAES's murky history and the government's willingness to turn a blind eye, it is hard to give them the benefit of the doubt. We may never know for sure, as the whole thing is, of course, shrouded in secrecy.

## Czech Republic

A controversial proposed deal between the Czech Republic and Gripen, a BAES/Saab joint venture, for the provision of 36 JAS-39 Gripen jets has been aggressively pushed by both Hoon and Blair. The BAES/Saab bid became the only candidate when all rival bidders pulled out in May 2001, a situation that "smacked of corruption" according to Czech opposition parties (*Independent on Sunday*, 27/05/01). Faced with apparent bias, the head of the Pentagon's foreign military sales agency took the unprecedented step of publicly criticising the Czech government for its handling of the issue.

A partial chronology of the hard work the UK government has done for BAES tells the story: In November 2000, Czech Prime Minister Milos Zeman told a Czech radio station that he had received a letter from Tony Blair recommending the purchase of the Gripen fighters. In December 2001, Geoff Hoon met with his counterpart in the Czech government to push for the contract. And as recently as April 2002, Tony Blair flew especially to Prague to lobby Vaclav Havel for a decision on the Gripens.

## Major Programmes

### ● Astute Class Submarine

The Astute Class of three nuclear attack submarines is being designed and built by BAE Systems for the Royal Navy as part of a £2 billion order from the Ministry of Defence. The prime contract was inherited by BAES when BAe 'merged' with GEC-Marconi in 1999. The Astute Class is due to enter service in 2005.

### ● Eurofighter

BAES is one of four European arms companies developing the Eurofighter Typhoon, the others being EADS (Germany), Alenia Aerospazio (Italy) and EADS (Spain).

The programme has come under sharp criticism, even from such unlikely commentators as the late Alan Clark, former Defence Minister under Margaret Thatcher, who said that it is

"essentially flawed and out-of-date... We must find a less extravagant way of paying people to make buckets with holes in them." Not surprising, since it is costing the UK taxpayer £15.4 billion! Even the CIA recognises that the Eurofighter (EF-2000) is viewed by many "as a Cold War relic [which] should not be procured at all since it no longer matches combat needs," with the only counterargument being that "Russian Su-27 Fighters are still being sold on world markets (and the EF-2000 would be a lucrative competitor for those sales)." Furthermore, the UK and BAES involvement in the Joint Strike Fighter project with Lockheed Martin underscores the redundancy and obsolescence of the Eurofighter.

However, the strongest argument against Eurofighter is that it is one of the most costly and pointless arms-race escalations we have seen for quite a while, one which risks fuelling existing conflicts in the Middle East and Pacific Rim as export sales pick up.

### ● Future Carrier

The Future Carrier is the project to replace the Royal Navy's existing three INVINCIBLE Class carriers with two larger ships, to enter service in 2012 and 2015. In November 1999, the UK MoD awarded contracts for the CVF Assessment Phase to BAE Systems and to a team led by Thomson CSF (now Thales), a French company with UK subsidiaries. The programme is intended to "enhance the UK's ability to mount joint operations on the world stage, and must cope with increasingly heavy and more flexible demands"; in other words, to act as worldwide support for the US military.

### ● Future Systems

This group was set up by BAES as part of the ongoing restructuring that has been taking place since 1999. It does not produce any equipment, instead taking on the role of "warfare consultant," advising governments on how to achieve the best combination of "Lethality and Knowledge... to dominate the battlespace." Early successes in the UK include taking advantage of the corporate bonanza that is the Private Finance Initiative through the MoD's Smart Procurement programme.

### ● Gripen

A joint venture between Saab (Sweden) and BAES, Gripen is the first new-generation swing-role fighter to enter service worldwide and it is already in service with the Swedish Air Force, which has ordered 204 aircraft. See sections on South Africa and Czech Republic above, for more details.

### ● Harrier

The Harrier has been sold all over the world. The Harrier 1 is produced by BAES and is currently in service with the Indian Navy fitted with Blue Fox Radar. The AV-8S and TAV-8S are in service with the Royal Thai Navy.

The Harrier II and Harrier II Plus are joint BAES/Boeing ventures. They have twice the range and payload of the Harrier I and are currently in service with the Royal Air Force (GR7 and T10), United States Marine Corps (AV-8B and TAV-8B), Spanish Navy (EAV-8B) and Italian Navy (TAV-8B).

### ● Tornado

There are five different types of Tornado in service with the Royal Air Force:

- Tornado GR1 – a two-seat, all-weather, variable geometry, multi-role combat aircraft.
- Tornado GR1A – a low-level, high-speed reconnaissance version retaining the missile launchers, guns, and complete

operational characteristics of the standard GR1.

○ Tornado GR4 – an upgrade to the GR1 to provide covert operations capability. Enhancements include a forward looking infra-red system, a Global Positioning System, an improved defensive aids system, Night Vision Goggle Compatible Cockpit, improved cockpit displays and the ability to carry a wide range of new weapons.

○ Tornado GR4A – a low-level, high-speed reconnaissance version retaining the missile launchers, guns, and complete operational characteristics of the standard GR4.

○ Tornado F3 – an air defence version that utilises long-range radar to find and attack targets beyond visual range.

### ● Joint Strike Fighter

This joint venture between Lockheed Martin and BAE Systems JSF Project Team is “the world’s largest ever military aircraft development and production competition” (*BAE Systems Facts*).

The Pentagon plans to buy nearly 3,000 of these planes, which will come in land-based and carrier-based variants, and the UK will buy at least 60 and perhaps 150 of the naval version. It is hoped that a further 2000 planes will be sold to other countries. The US expects its allies to contribute largely to this project, which is intended to ensure the West’s military domination for at least the next quartercentury, and the UK government put up £200m towards the early development costs. BAE Systems has been involved in the project from the beginning, collaborating with both rival bidders, Boeing and Lockheed. In return it expects to win at least ten per cent of the work for the UK, which could be worth as much as £25bn. In January 2001 the UK government raised its stake by a further £1.3bn. The decision had been delayed until after the US presidential election at the request of BAE Systems, which wanted to use the money as a bargaining tool (*Financial Times*, 10/11/00; 22/12/00). It was demanding a larger work-share, joint design authority with the prime contractor, access to software codes, the right to install UK weapons without US consent. It is not clear how much of this ambitious programme has actually been conceded.

Around the time of the US election a shadow fell over the Joint Strike Fighter. It was rumoured that Bush’s advisers were thinking of cancelling it – not of course for pacific reasons, but because they thought it better to skip this technological stage altogether (*Independent*, 16/11/00; *Jane’s International Defense Review*, January 2001). The news provoked a slump in the share price of BAE Systems, but John Weston shrugged it off, saying that the company could always fall back on the Gripen and the Eurofighter (*JDW*, 14/02/01). But by the same token, now that the JSF is going ahead (*American Forces Information Services*, 26/10/01), it will have to be at the expense of the Eurofighter and the Gripen. Weston claims that the company is light on the balls of its feet, and it certainly needs to be, because its whole existence depends on walking a precarious transatlantic bridge.

### ● Hawk

More Hawks have been sold around the world than any other training and light combat aircraft. Sales of some 800 machines have been completed or are in prospect to 17 countries, including Indonesia, Saudi Arabia and Zimbabwe. Attempts were also made to sell the Hawk to Iraq. David Hastie, a senior BAE salesman was seconded to the MoD, ostensibly to assist with the Eurofighter project. However, the Scott Inquiry in 1993 revealed that his job was to assist in the sale of Hawk aircraft to Iraq. Indeed, he attended the 1989 Baghdad Arms Fair despite a veto on attendance by the Foreign Office, and despite the fact that Saddam Hussein had just bombed the Kurds with chemical weapons at Halabja.

(*Scott Report into the Export of Defence Equipment to Iraq*, Section D Chapter 6, 15 February 1996, HMSO Publications Centre)

The Hawk first flew in 1974 and is now nearing the end of its marketing life (*Financial Times*, 05/01/01). The last firm orders, from Australia and Canada, are two years old, and there is an air of desperation about the attempts being made to keep production going. A year ago there were hopes of orders from Brunei, Qatar and the United Arab Emirates, but none have materialised; and in June 2000 the company announced the shedding of 850 jobs at the main production plant near Hull (*Flight International*, 20-26/06/00). The main hopes for this plane rest on two highly controversial deals with South Africa and India (see sections on these countries above).

Current operational variants of the Hawk include:

○ Hawk T.Mk.1/1A – Initial production version of the Hawk. 176 aircraft ordered by the UK Ministry of Defence in March 1972, and first pre-production prototype made maiden flight on 21st August 1974. Hawk T.Mk.1 entered Royal Air Force service in November 1976.

○ Hawk 50 Series – Initial export version of Hawk, first flown on 17th May 1976.

○ Hawk 60 Series – An upgrade of the Hawk 50 Series, flown for the first time on 1st April 1982, the Hawk 60 Series featured a more powerful engine, and better wings, wheels, and tyres.

○ Hawk 100 Series – An upgrade of the Hawk 60 Series, the prototype Hawk 100 made its first flight on 1st October 1987.

○ Hawk 200 Series – Developed in parallel with the Hawk 100 Series, the Hawk 200 is a single seat, radar-equipped, lightweight, multi-role combat aircraft, and first flew on 19<sup>th</sup> May 1986.

○ Hawk LIFT – The Hawk Lead-In Fighter Trainer (LIFT) is an enhanced and updated version of the Hawk 100 Series, which incorporates changes to the avionics suite and associated aircraft systems, originally developed by BAE Systems, for the Royal Australian Air Force Hawk Mk.127 Lead-In Fighter (LIF).

### ● Lancer

BAES is the prime contractor in this joint venture with United Defence and Raytheon Systems (US) and Alvis Vehicles (UK), which is developing the TRACER/FSCS (Tactical Reconnaissance Armoured Combat Equipment Requirement/ Future Scout Cavalry System) armoured reconnaissance vehicles.

### ● Nimrod

The story of the Nimrods is a long and unhappy one. These maritime reconnaissance planes were originally built in the 1960s and 1970s, and in 1976 there was a £1bn plan to equip some of them as long-range surveillance aircraft similar to the US AWACs. Ten years later the scheme was abandoned and six AWACs were bought instead, as the RAF had always wanted. But in 1997 BAe, as it then was, won a £2.2bn contract to upgrade the original 21 aircraft. The idea was to take 30-year-old Comet fuselages, fill them with gizmos and attach all-new wings (*Financial Times*, 11/01/01). Not surprisingly there were difficulties; in fact Mr Weston, whose candour, or indiscretion, was often a boon to the company’s critics, has called the Nimrod “an accident waiting to happen” (*Financial Times*, 11/01/01).

At the beginning of this year the company admitted that the fiasco would lose it £300m and that the planes would be delivered two years late. Lockheed’s P3 Orions would have been much cheaper and quicker, and the choice of a British scheme has been called “a political fudge” (*Jane’s Defence Industry*,

February 2001). Mr Weston stated that the executives responsible were no longer with the company. However, the chief executive at the time of the contract was none other than Dick Evans, the present Chairman.

#### ● **Type 45 Anti Air Warfare Destroyer**

BAE Systems Marine has been contracted by the UK Navy to produce six Type 45 Destroyers, with an order for six more likely to follow. Initially the UK MoD had ordered two Type 45s from BAE Systems and one from Vosper Thornycroft. They were then to compete for further batches of three ships, to make up the full requirement. However, in early 2001 BAES made an unsolicited bid to build all 12 ships, leading to outcries in both government and industry. Negotiations followed and the resulting deal left Vosper Thornycroft producing the modular bow section, funnel and masts for each craft, but no opportunity for competition at later stages (*Defense News*, 25

February-3 March 2002).

#### ● **MBDA**

MBDA is currently the largest missile manufacturer in the world, having pushed Raytheon out of the top spot since its creation in April 2001 as a joint venture between BAES and EADS (each holding 37.5%) and Italy's Finmeccanica (with the remaining 25%). It recently struck a deal worth £220 million with Malaysia to provide the JERNAS Short-Range Air Defence (SHORAD) missile system, fuelling fears that this could spark an arms race in Asia. Although Malaysia's Ministry of Defence denies this, *Defence Systems Daily* (10/04/02) points out that Malaysia's arms-buying ambitions have escalated following purchases by its neighbour, Singapore.

It is no secret that BAES is determined to be at the heart of George W. Bush's National Missile Defence (NMD) - a.k.a. "son-of-Star Wars" - programme (*Observer* 27/05/01), and MBDA is the cornerstone of its frantic efforts to cash in on the US's latest and most dangerous experiment in military Keynesianism. Chief Executive Fabrice Bregier made MBDA's intentions clear: "It will be very important for us to join [NMD]." (*BBC Online* 18/06/01)

#### ● **Airbus**

This troubled civil aviation company is 20% owned by BAES. The "airline crisis" caused by the September 11 attacks has precipitated a string of cancelled orders and Airbus has responded by announcing 6,000 job cuts (*Guardian* 18/01/02). However, Airbus appears to be weathering the fallout of the slump a lot better than its closest competitor, Boeing. One of the main reasons for this is that pre-orders for its A380 "superjumbo", for which it received a £500 million pound government loan as "launch aid", were strong in 2001.

## Recent deals

#### ● **February 2002: UK**

MoD order a further three Type 45 Anti Air Warfare Destroyers, bringing the total number now on order to six, with a total contracted value of the Type 45 programme now approximately £2 billion.

#### ● **January 2002: US ARMY**

BAES Integrated Defense Solutions (IDS) receives a \$13.4m order for 23,000 camouflage netting systems from the US Army Communications and Electronics Command Acquisition Center.

#### ● **January 2002: JAPAN**

IDS receives a \$4.3m order for RR-170/180 special chaff payloads, and MJU-7/B IR flare decoys. The chaff payloads are produced at the North Carolina facilities and the flares are produced at the Arkansas facility.

#### ● **January 2002: TRIDENT**

BAES Applied Technologies awarded a \$58m contract to provide fleet ballistic missile system integration and logistics support for the US and UK Trident Nuclear Programmes.

#### ● **December 2001: OPERATION "ENDURING FREEDOM"**

BAES IDS Arkansas facility receives an order for 40,000 units of the Model 106 Initiator from Wallop Defense Systems, as part of the United Kingdom's contribution to the bombing of Afghanistan.

#### ● **December 2001: TANZANIA**

BAES granted an export licence for its controversial sale of a £28m military air traffic control system to Tanzania. See above section on Tanzania for more details.

#### ● **December 2001: US ARMY**

BAES IDS awarded a \$5m contract to provide ALE-47 countermeasures dispensers to the suite of 131 CH-47D Chinook helicopters, used by 23 countries worldwide, and currently in use in the war in Afghanistan.

#### ● **November 2001: US**

BAES Technical Services awarded a \$5m (with options which would bring the total up to \$25m) contract by the Regional Contracting Department in Pearl Harbor, Hawaii, to provide ammunition storage, handling, and management services for the Naval Magazine in Pearl Harbor. Ordnance and ammunition management is also provided through this contract for the US Army, Marine Corps, Coast Guard and Air Force.

#### ● **November 2001: LOCKHEED MARTIN**

Information and Electronic Warfare Systems (IEWES) to supply the electronic warfare systems for the Joint Strike Fighter (JSF). According to BAES, the JSF electronic warfare work promises to be the largest in the business unit's history.

#### ● **October 2001: UK**

Defence Procurement Agency awards £300 million Astute Class Submarines Training Service contract to the FAST joint venture. Astute is a nuclear attack submarine programme.

#### ● **September 2001: KOREA AEROSPACE-LOCKHEED MARTIN**

BAES Controls receives a \$6.3m contract to furnish automated test equipment for the T-50 supersonic trainer and light combat aircraft.

#### ● **August 2001: US ARMY**

BAES IDS sign a five-year, \$87.6m contract for the System Development and Demonstration phase of the Mongoose countermine system.

#### ● **August 2001: PAKISTAN**

The Pakistan navy awards a contract, worth around 13.6m euros, to Alenia Marconi Systems (AMS) Radar Systems for the supply of two fixed coastal systems based on the ARGOS 73 radar.

#### ● **July 2001: US NAVY**

BAES Applied Technologies awarded a contract with a ceiling

value of \$148.7m by the Naval Air Warfare Center Aircraft Division to provide engineering and technical services for the radio communication systems for the DDG 51 class new construction ships and other DoD platforms.

● **July 2001: US AIR FORCE**

IEWS receives two contracts from the US Air Force totalling more than \$80m to upgrade Air Force EC-130H "Compass Call" aircraft.

● **July 2001: TORNADO**

Four contracts worth over £60m achieved, for 1) development, integration and clearance activities for the Italian Tornado Mid Life Upgrade programme; 2) the AMRAAM Optimisation Programme of the UK Defence Logistics Organisation (DLO) for the provision of a mid-course guidance capability for AMRAAM on Tornado F3 aircraft; 3) the provision of Tornado GR4 Augmented Logistics Support services to the DLO from 1 July 2001 through to 31 December 2010; and 4) the development, integration and embodiment of an Interim Precision Guided Bomb capability on Tornado GR4 aircraft, for the DLO.

● **July 2001: EUROFIGHTER**

Eurofighter GmbH signs the PC5 contract, with NETMA, for the set up and initial operational phase of an Industrial Exchange and Repair Service, valued at over £150m to BAES.

● **June 2001: LOCKHEED MARTIN**

£1.8m contract to supply 200 Head Up cameras for F-16 aircraft.

● **June 2001: US NAVY**

BAES Applied Technologies awarded a contract with a ceiling value of \$64.1m by the Naval Air Warfare Center Aircraft Division to supply support for the maintenance, logistics and life cycle support of Navy, Army, Air Force and other Government Agency C-E platforms and equipment/systems.

● **June 2001: UNITED ARAB EMIRATES**

AMS receives a £11m order to upgrade part of the Integrated Training Range of the UAE Air Force and Air Defence, which will enhance its air-to-air combat training capabilities.

● **June 2001: NATO**

An Integrated Project Team led by Lockheed Martin and including significant BAES involvement is awarded a feasibility study contract for a NATO Active Layered Theatre Ballistic Missile Defence system.

● **May 2001: US NAVY**

BAES Applied Technology and 21 other vendors awarded an "indefinite-delivery/indefinite-quantity" contract from the Naval Sea Systems Command to provide engineering, logistics, financial, and program management support over the next 15 years. During that period, Naval Sea Systems Command will spend up to \$14.5 billion on the services provided by all the vendors.

● **May 2001: US NAVY**

Contract with a ceiling value of \$30.4m awarded by the U.S. Navy Space and Naval Warfare Systems Center to provide support services and material for the command, control, communications, computers, and intelligence (C4I) systems for amphibious warfare programs, with work expected to reach completion by February 2005.

# Acronyms

**AMRAAM** Advanced Medium Range Air-to-Air Missile

**AMS** Alenia Marconi Systems (joint venture between BAES and Finmeccanica of Italy)

**ASTOR** Airborne Stand-Off Radar

**C4I** Command, Control, Communications, Computers and Intelligence

**DASS** Defensive Aids Sub System

**DLO** UK Defence Logistics Organisation

**DoD** US Department of Defense

**EADS** European Aeronautic Defence and Space Company

**IDS** Integrated Defense Solutions (a BAES business)

**IEWS** Information & Electronic Warfare Systems (a BAES business unit)

**JSF** Joint Strike Fighter

**MoD** UK Ministry of Defence

**PFI** Private Finance Initiative

**RO** Royal Ordnance

● **April 2001: US**

10-year schedule secured from the U.S. General Services Administration to offer a large range of logistics services to all U.S. Government agencies and activities around the world.

● **April 2001: US**

IEWS awarded a \$9.9m contract from the U.S. Army for engineering and technical services to support the Advanced Threat Infrared Countermeasure/Common Missile Warning System, expected to be completed by April 2004. The US Army has also awarded IEWS a \$6m contract for 240 AN/ALQ-144A infrared countermeasures sets for US Navy and Marine Corps helicopters.

● **April 2001: US AIR FORCE**

BAES Flight Systems, headquartered in Mojave, California, awarded an \$8.9m contract by the United States Air Force, for the conversion of 12 F-4 Phantom aircraft to QF-4 Fullscale Aerial Target Drones, which are flown by remote control.

● **April 2001: EGYPT**

AMS awarded a contract by Egypt for the refurbishment and upgrade of the radar systems fitted to the Egyptian Navy's Ramadan Fast Attack Craft.

● **April 2001: UK PFI**

Flagship Training commissions three new Fire Fighting Training Units in the first major Private Finance Initiative (PFI) agreement to be implemented by the Royal Navy.

● **April 2001: CHINA**

Avionics signs an agreement with Hangxin Aviation Engineering (Group) Co. Ltd of Guangzhou, Peoples Republic of China, to establish an aviation repair centre in Guangzhou.

● **March 2001: UK**

Joint venture announced with Thales, Raytheon, Rolls Royce, Alstom, and Litton, for the supply of radar, navigation, communications, power and propulsion, and platform management systems for the Type 45 Destroyers.

● **March 2001: US ARMY**

IEWS wins a multi-year contract award from Lockheed Martin

# Board of directors

Salaries indicated are for 2001 (Source: BAE Systems 2001 Annual Report)

NAME	SALARY	BONUS	BENEFITS	EXECUTIVE SHARE OPTIONS	TOTAL
Sir Richard Evans CBE Chairman	£620,000	£119,000	£11,000	£1,083,000	£1,833,000
John Weston Chief Executive	£520,000	£100,000	£19,000	£964,000	£1,603,000
George Rose Group Finance Director	£435,000	£84,000	£16,000	£580,000	£1,115,000
Mike Turner Chief Operating Officer, Operations	£464,000	£89,000	£17,000	£555,000	£1,125,000
Steve Mogford Chief Operating Officer, Programmes	£362,000	£70,000	£21,000	£272,000	£725,000
Michael Lester Legal Director	£487,000	£94,000	£16,000	£356,000	£953,000
Sir Charles Masefield Vice-Chairman	£431,000	£83,000	£16,000	£314,000	£844,000

**Total of directors' salaries**

**£8,198,000**

## Recent deals continued...

Millimeterwave Technologies Inc., worth \$30m, to manufacture more than 6,000 transceivers for the US Army's Longbow Hellfire missile, which is deployed on the US Army's AH-64D (nine of which have recently been purchased by Israel) and United Kingdom Army WAH-4 Apache helicopters.

### ● March 2001: UK

IEWE receives a contract for more than \$30m from Raytheon Systems to deliver five Defensive Aids Group integrated systems for the MoD Airborne Stand-Off Radar (ASTOR) program. The systems will be installed aboard the RAF's "Global Express" aircraft.

### ● March 2001: EGYPT

AMS awarded a contract, valued at approximately 36m euros by the Armament Authority of Egypt, for the upgrade of the Egyptian Navy's Otomat missiles to the Italian Navy configuration - Otomat MK2.

### ● February 2001: UK

MoD offers a long-term contract, whose initial stage alone is worth £36m, to Heckler & Koch (a subsidiary of Royal Ordnance) for the modification of SA 80 weapons in service with the British Army. The contract also includes the provision for the supply of spare parts and an option for additional weapons valued at a further £37m.

### ● February 2001: EU

SSD wins the production order worth over £300m for the first tranche of EuroDASS systems for the Eurofighter. The

## Company (formal)

### Registered Office

6 Carlton Gardens, London SW1Y 5AD  
Tel: 01252-373232

Registered in England and Wales No. 1470151  
Registrars: Lloyds TSB Registrars

web: [www.baesystems.com](http://www.baesystems.com)

Defensive Aids Sub System (DASS) is installed internally on the already obsolete Eurofighter and provides protection against air-to-air and surface-to-air missiles.

### ● January 2001: GREECE

Avionics Rochester receives the first order for its F-16 Enhanced Head Up Display, in a contract worth \$3.3m, for the Lockheed Martin F-16 Peace Xenia III programme for Greece.

### ● January 2001: UK

MoD awards BAES the prime contract for the first three Type 45 Destroyers for the Royal Navy, in a deal initially worth £1 billion. The first destroyer is to be delivered in 2007 and BAES anticipate the programme to become a class of 12 destroyers.

### ● December 2000: SOUTH KOREA

Underwater Systems at Filton awarded a contract in December to supply Combined Influence Sweep systems for the next two Mine Sweeper Hunter ships for the Republic of Korea Navy.

The Campaign Against Arms Trade is working for the reduction and ultimate abolition of the international arms trade, together with progressive demilitarisation within arms-producing countries. For more information about CAAT's work and how you can be involved, contact:

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