

emerging European consortia. The UK has a long record of participation in Space Science experiments, primarily by building systems or detectors to be part of other's missions. Astronomy has been an area of particular interest.

The major UK company in the sector is British Aerospace, which at the time of writing was negotiating the merger of its space activities with Matra Marconi Space. These talks reflect the growing consolidation of the European space and satellite industry around two groups (Aerospatiale, Alcatel and Alenia are grouped with Mitsubishi and Ford Aerospace in Loral). Matra and Marconi are also in advanced negotiations with ANT, the space subsidiary of Bosch of Germany, to join their space group.

Defence

Britain is NATO's second largest spender with an annual budget of about \$45 billion. Nearly \$21 billion will be allocated to defence equipment procurement during 1991/92. This level of spending is expected to decline roughly 6% by 1993/94. Because of cost consciousness and the desire to provide the best possible equipment in the face of rising prices, current UKMOD procurement themes continue to be:

- promotion of competitive procurement
- reduction of over-elaboration on UK equipment requirements
- promotion of international collaboration and/or joint ventures among industrial teaming partners.

In calling for competition, the MOD is looking for value for money by stimulating enterprise and encouraging new ideas for the solution of defence problems. Incentive pricing will be used increasingly where it is realistic and cost effective to do so.

As the UK is now the free world's second largest arms exporter, there is a strong bias on behalf of the UKMOD procurement executive to source domestically; however, the recent calls for more value for money has created new market opportunities. It is now estimated that Britain imports about \$2 billion of defence equipment. Canadian exports of defence equipment to the UK in 1991 were about \$40 million. A favourable exchange rate should provide aggressive Canadian high technology companies with a unique opportunity to penetrate the sub-contract market. Britain's large defence industry requires high quality components and sub-systems that are world standard in terms of technology and price.

In September 1991, IBM won the largest British defence contract yet placed with an overseas company, with its successful bid to manage production of new Helicopters for the Royal Navy. The bid worth around \$3 billion, was made in association with Westland, which has developed the Merlin EH101 airframe with Agusta of Italy. The Merlin contract is of special interest to Canadian companies as negotiations for Canada's requirement for a New