



Defence Export Figures for 2018

Methodology

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Enquiries

E-Mail: ditdso.businessservice@trade.gov.uk

Post: DIT DSO Operations Team Secretariat
3 Whitehall Place, London SW1A 2AW

This document explains the methodology and quality of the defence export statistics released on 30 July 2019.

Glossary & Definitions

ACRONYM/ TERM	EXPLANATION
Aerospace	Aircraft (inc Naval Aircraft, Aircraft Related Equipment (inc Aircraft Simulators & Air Launched Weapons))
DIT	Department for International Trade
DSO	Defence & Security Organisation
ECJU	Export Control Joint Unit
FMS	Foreign Military Sales
G2G	Government-to-Government
HMRC	HM Revenue & Customs
HGHP	High Growth High Potential (DIT classification)
KAM	Key Account Management (DIT classification)
Land	Ground Based Platforms (e.g. Tanks, Armoured Vehicles), Equipment & Ground Based weapons
MoD	Ministry of Defence
OTS	Overseas Trade Statistics
Prime Contractor	Principal contractor responsible for the delivery of goods and services to the customer. The contractor is typically the original equipment manufacturer. In some the cases, a Prime Contractor may outsource part of the production process to a sub-contractor.
SBU	Small Business Unit (team within DIT DSO)
Sea	Ships, Submarines, ship launched weapons, naval Dockyards
SME	Small & Medium-sized Enterprise

US DoD	United States Department of Defense
WA	Westlands Advisory

Background

The Analysis & Statistics team in the Operations team, Department for International Trade Defence & Security Organisation (DIT DSO), monitors global defence and security exports. This information is fundamental to DIT DSO's analysis and understanding of trends in the global defence and security export market, and the advice provided to Ministers about the UK's performance in the market. Statistics help us identify the defence & security industry's strengths and weaknesses and how we compare to our competitors.

Defence figures are collected by DIT DSO but, due to the complexities and fragmentation of the Security sector, security data is provided to us by contractors following open competition. Westlands Advisory provided this year's data, and a separate methodology paper from the company is provided with this release.

It is not advisable to combine the defence and security export figures as they are recorded via a different methodology and report on a different metric (orders/contracts vs exports/sales).

DIT DSO publishes figures annually (typically around July) and includes figures for the previous calendar year.

DEFENCE FIGURES

There is no internationally agreed definition of defence exports or how they should best be measured. Since 1984, figures for UK exports have been based on an annual survey of defence export orders won by known UK companies operating in the defence sector.

For the Rest of the World (ROW), we do not have the same level of information or access; our figures are therefore based on open-sources (e.g. InfoBase Publishers, US DoD Contracts) and best judgement about when a contract has been signed (not when the contract is won).

We do not monitor the value of deliveries, as is the case with some other organisations, because deliveries might take place several years after contract signature, whereas new orders or contracts offer a current assessment of the health of the market.

UK Defence Exports

Overview

- Data about UK defence exports is collected via a survey of UK defence companies. The list of companies who take part in the survey is constantly revised to ensure that we include the maximum number of defence exporters. However, because the survey is voluntary and provided at no cost to DIT DSO, some companies may choose not to participate. We sent the 2018 survey to approximately 2,561 companies and estimate that we capture around 94% of defence exports by value. Annex A shows the response rate to this year's survey and provides additional detail.
- The survey covers orders for defence services, support and equipment.
- The statistics relate to sales to overseas Ministries of Defence and associated Armed Services. This makes them customer-based, rather than product-based.
- The survey is sent out to companies on a quarterly basis. However, some prefer, for various reasons, to participate on an annual basis. Our figures refer to a calendar year rather than a financial year.
- Although we do request details of individual orders (e.g. Product, Value, Country Destination etc), some companies only provide us with aggregated figures.
- Where a company has not provided a survey return, we sometimes use other data received by DIT DSO from companies, which verify particular exports and official published data on other countries imports from the UK (i.e. Foreign Government Tender Websites).

Inclusions

- 'New orders' covers both legally binding contracts and routine or small orders (e.g. spares) - which though not legally binding are regarded as firm.
- Orders where the customer is defence related. We may also include exports from a UK non-defence supplier if the customer is a MOD or defence manufacturer.
- Additions to existing orders. These are identified as separate entries in the database and will be included in the year in which they fall.

- Government-to-Government Programmes: a figure is included annually for exports achieved under the G2G programmes, i.e. the Salam Project and the Saudi British Defence Co-operation Programme. These are based on the value of customer-approved claims submitted against budgetary provisions included within the various underlying agreements for goods and services and any fixed priced purchase orders. This information is provided by the MOD Saudi Armed Forces Projects Office.
- Orders from companies with dual ownership, e.g. UK/French, but note that only the UK value of the export is included.
- Orders covering international collaborative ventures, where the sale is not to one of the partners. We count only the UK value-added.
- Joint ventures. Only the UK value-added part of the venture is counted.
- Orders received by a UK-based subsidiary of a foreign company.
- Contracts covering the provision of defence services overseas (consultancy, training), that benefit the UK defence industrial base.
- We only record the UK work content of new business.

Exclusions

- Exports derived from collaborative projects and between partner nations: we only count exports to countries outside a particular partnership. e.g. we do not count UK Eurofighter Typhoon exports to Germany, but we do count the UK element of a sale to a country outside of the partnership, like the sale to Austria.

Revisions Policy

- We do not make adjustments for subsequent cancelled orders, unless it is cancelled before the figures are published. However, if we notice an error or come across additional information during the course of year, that has substantial impact on the meaning of the figures, we will update and republish as soon as possible.

Rest of the World (ROW)

- Similar principles apply as to those above, except that information is derived from a range of reliable open sources covering contracts that have been signed.

- It is not always possible to be definite about the signing of a ROW contract. In uncertain cases we make a judgement and estimation based on collateral reporting.
- We count the total value of a contract published at the time of announcement and make no attempt to spread the value over the length of the contract.
- Sometimes, when the value of a contract is not published, we make an estimate of its value based on historical sales and other factors.
- Where there is a contract with several supplying nations but no indication of workshare, we divide the value equally between the suppliers. Likewise, where there is an export to several nations and no percentage split, we again divide equally.

Amalgamation of figures

- The UK and ROW figures are combined to create league tables of the top exporters and importers. It shows where our competitors are winning business and the UK 's share of the global defence export market.

Quality Assurance

- There is no definitive method of counting UK and Rest of the World defence exports. The method DIT DSO employs of surveying UK companies and counting published contracts provides UK stakeholders with the indication of trends and health of the defence export market that they require. DIT DSO data is from first-hand or credible published sources. It measures the full remit of the global defence export market and the place of UK exporters within it.

Other Defence Export Data Sources

- HM Revenue and Customs (HMRC) publish data on exports and imports by commodity in Overseas Trade Statistics (OTS). However, these are commodity based, rather than customer based, and they record transactions at the point in time when the commodities cross borders, not when initial orders are placed. It is not possible to specify which commodities are for defence use or which are for civil use. These data are therefore not useful in assessing defence industry specific exports and imports.

HMRC OTS:

<https://www.uktradeinfo.com/Statistics/OverseasTradeStatistics/Pages/OTS.aspx>

NB. In 2008, the UK Government ceased producing defence export delivery data, as it was impossible to derive meaningful results. For example, the HMRC customs codes for aircraft do not differentiate between military and civil aircraft.

- The DIT Export Control Joint Unit (ECJU), successor to the Export Control Organisation (ECO), publishes official data on the number of licences granted for export in the Strategic Export Controls annual and quarterly reports, some of which are categorised as military or dual-use. These data relate to numbers of licences and the value under each licence. The actual value of exports made under the licences is likely to be less than reported because some of these licences will not be used to make all of the exports authorised and others will not be used at all. For this reason this data is not useful for assessing the health of the UK defence exports sector.

Strategic Export Controls statistics:

<https://www.gov.uk/government/collections/strategic-export-controls-licensing-data>

- A major provider of defence export delivery data is the Stockholm International Peace Research Institute (SIPRI). It only reports on global arms deliveries, and not new orders/contracts that we require for our business purposes.
SIPRI: <http://www.sipri.org>
- Another provider of defence export (arms transfer) data is the USA's Congressional Research Service (CRS). The CRS, a component of the Library of Congress, conducts research and analysis for Congress on a broad range of national policy issues. It essentially tracks and reports on agreement and delivery data for U.S. Government-to-Government (G2G) Foreign Military Sales (FMS) transactions, in addition to global arms transfer deliveries. Most reports can be retrieved from the Federation of American Scientists (FAS) website.
FAS: <https://fas.org/sgp/crs/weapons/index.html>

Survey Return Statistics – Figures 2018**Key Dates for Survey Returns: -**

ISSUE DATE	REQUEST	RESPONSE DEADLINE
18 April 2018	1 st Quarter email to companies	2 June 2018
16 July 2018	2 nd Quarter email to companies	1 September 2018
1 October 2018	3 rd Quarter email to companies	17 November 2018
7 January 2019	Final Quarter email to companies	23 March 2019
18 January 2019	Calendar year email to KAM companies	23 March 2019
5 February 2019	Calendar Year email to SBU Listed Companies (Small Businesses)	23 March 2019
8 January 2019	Calendar Year email to HGHP companies	23 March 2019
27 March 2019	Reminder to outstanding SBU and HGHP companies	20 April 2019
27 th March 2019	Individual reminders sent to individual KAM companies	20 April 2019
9/10 May 2019	Individual reminders to companies on Annual List	ASAP
9 th & 10 th May 2019	Final Reminders to Outstanding companies on Annual List	ASAP
11 th May 2019 to 30 th May 2019	Further Individual Reminders sent to Outstanding KAM Companies	ASAP

Early June 2019	Various telephone calls, emails and meetings were also used to chase up individual KAM company	ASAP
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- Within each quarter, DSO sent Survey returns to a total of 38 Companies ranging between Prime and Medium-sized companies. Overall, DSO received an average of around 22 replies per quarter. (Return rate 58%)
- Those companies that expressed an interest in only returning survey returns on an Annual basis, DSO sent survey returns to 45 Companies in total at the beginning of 2019. Overall, 10 companies replied (Valued/NIL), which works out to an overall return of 22% for Annual statistics.
- DSO sent emails to around 2200 on our SBU (Small Business Unit) list. Responses received (Valued/Nil) from 80 Companies, an overall return of 4%
- DSO also sent emails for Defence export figures to 261 High Growth, High Potential (HGHP) companies. A total of 25 replies were received for 2018. This accounts for a 10% return rate.
- DSO maintains that the Key Account Management companies (KAM) account for a very high percentage of the export figures on a yearly basis. DSO managed to retrieve 15 replies out of the 17 listed companies held within its database, accounting for 88% return rate. (DSO estimates that these companies account for around 90% of all UK defence exports)
- Overall, the DSO Analysis & Statistics team sent survey returns to a total of 2,561 companies ranging between SME's to Prime status. In total, DSO received replies from 152 companies which works out to an overall return rate of 7%.

Source: DIT DSO