



Defence & Security

Opportunities

Italy



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Why this market is important?

Italy is a founding member of the EU and NATO, a strong supporter of the UN and regards the UK as its military partner of choice. It has a well developed domestic defence industrial capability, which although protective of its own internal market and a competitor on the international stage, is willing to engage in collaborative activity. Italy is one of the few European nations prepared to use forces on expeditionary operations, therefore its equipment requirements will be close in many areas to those of the UK. There are already close industrial links with the main defence conglomerate Finmeccanica, which owns Augusta/Westland, 25% of MDA and Selex UK. It employs over 10,000 people in the UK. The overall size of the Italian Armed Forces is broadly compatible with those of the UK.

Economic background

Ex Premier Silvio Berlusconi resigned last November as a result of a loss of international and national confidence in his ability to get Italy out of its growing economic crisis: national debt equal to 120% of GDP, the country officially in recession, rife tax evasion and corruption, and financial speculation by international markets against Italian government bonds. A “government of technocrats” led by Mario Monti, economist and former EU Commissioner, was immediately appointed by the President of the Republic Napolitano with a mandate to save Italy from Greek-style economic collapse, and promptly set to work on measures aiming at balancing the budget, reducing national debt and delivering a wide-ranging structural reform programme. Monti has already succeeded in gaining parliamentary approval for a number of economic, liberalisation and growth measures. Other key reforms, including to the Italian labour market, are being discussed in parliament at the moment and more cuts in public spending and efficiency measures are in the pipeline.

Answering Monti’s call to become Defence Minister in his government, Adm Di Paola resigned as Chairman of the NATO Military Committee last November and, in the context of the government’s economic and structural reform, has since been overseeing a defence review with the aim of carrying out a large-scale reform of the Italian Armed Services. In February he presented his plans for defence cuts and restructuring to Parliament and is now working on the legislation required before the measures can be implemented. While the cuts respond to the government’s objective to curb Italy’s public spending, the restructuring plans respond to long-needed rationalisation and modernisation of the armed services.

Defence economics

The Italian Defence Ministry is allocated an annual appropriation, which amounts to just below EUR 20bn in 2012, a 3% cut over 2011. However, this appropriation does not only cover the cost of the armed forces but also the cost of other services which are not strictly defence-related, in particular the Carabinieri Corps, which is officially considered the fourth Armed Service but is mainly engaged in domestic police duties. The real defence budget, once these non-defence costs are removed, amounts to some EUR 13.6bn, 5% less than in 2011 and a mere 0.87% of GDP – a far cry from the 2% recommended by NATO.

Moreover, 70% of this figure is absorbed by personnel costs, leaving inadequate allocations for Procurement (18%) and, in particular, Operating & Maintenance Costs (12%). Di Paola's reform plans aim at eliminating this imbalance in time, leading to what is considered the ideal distribution of 50% of the budget to Personnel and 25% each to O&M and Procurement. In the meantime, budget constrictions have a serious impact on training (the Army is particularly concerned about the effect on operational training), equipment maintenance, flying hours, fuel supplies and procurement programmes (e.g. it is likely that the number of JSF F-35 aircraft on order will be cut from 131 to 90).

Over and above the defence budget, the Italian Treasury and Economic Development Ministry also contribute to the defence pot: the former funds overseas operations (EUR 1.4bn in 2012) and the latter contributes to a number of major equipment programmes such as Typhoon, the M346 training jet, FREMM, the Army's armoured personnel carrier Freccia and high-tech aerospace/electronics programmes (totalling around EUR 1.3bn in 2012), bringing total spending on defence procurement to around EUR 4bn.

Defence opportunities

The end objective of the Defence Minister's new reform plans is to make the Italian Armed Services smaller but more efficient, more technologically advanced, better trained, better equipped, projectable and sustainable, and at the same time fully interoperable with, and integrated into, NATO and the EU.

To improve the overall quality and technology of the defence instrument, programmes will be put in place to improve the C4I component, the Special Forces, cyber capabilities and digitisation of land manoeuvre units, to modernise naval and air vessels and helicopters, and to strengthen the ISTAR (Intelligence, Surveillance, Targeting Acquisition and Reconnaissance) capability.

Advanced technology, particularly in areas of covert surveillance, counter IED and Future Soldier projects, is of particular interest to the Italian forces as well as innovative products in connection with Urgent Operational Requirements.

The Italy defence market and how to do business

The following general information is intended as a preliminary guide to help UK defence companies understand the Italy Defence Market. It is not intended to be exhaustive.

Few of the Italian forces have autonomous purchasing power and in most cases foreign companies need to have a representative here. Specifications, tenders and contracts are all issued in Italian and only responses in Italian will be considered. UKTI in Italy can assist in identifying a suitable representative (see contact details on page 7 for a quote).

When making presentations it is essential that UK companies are fully prepared with product specifications in Italian. The sales pitch should be fully prepared in advance, equipment fully charged and tested and an expert in attendance to answer technical questions. In many cases an interpreter will be required. UKTI Italy staff may be able to act in this capacity in some circumstances.

Payment terms are lengthy in Italy and can be up to 120 days or more.

Armed forces – military strength

The three Armed Forces have a current total strength of around 180,000 service personnel and 30,000 civilians.

Army

The Army has current strength of around 105,000. Over 6,000 are deployed on operations overseas, mainly in Afghanistan, the Lebanon and the Balkans, and 6,000 are also deployed throughout Italy on domestic operations, in support of the police, guarding sensitive sites and providing disaster relief.

Air Force

Current strength of 42,600. Deployed in Afghanistan, with Tornados and AMX operating together with UAV Predators in support of ISAF at Herat. Italian Eurofighters provide policing of Albanian and Slovenian, as well as Italian, airspace.

Navy

Current strength of 32,500. Participates in multinational crisis management and international security missions, patrols national waters, combats illegal trafficking, and clears explosives from the seabed. Also supports OGDs by monitoring sea pollution, carrying out search and rescue operations and supplying water to the smaller islands.

Joint HQ for Special Forces Operations

The Joint HQ for Special Forces Operations (Comando Interforze per le Operazioni delle Forze Speciali or COFS) was established in 2004 to plan and command special operations carried out by the special force units of the four Armed Forces: the “Col Moschin” Assault Para Regt (Army), the COMSUBIN Operational Raiders Group (Navy), the 17th Raiders Wing (Air Force) and the Special Intervention Group (Carabinieri).

Security issues

Italy’s safety and security industry has a total market size of approximately €2.83 billion. Italy’s main focus is related to security concerns with regards to terrorism, immigration, organised crime and the safety of transportation services. Transportation is a priority concern, as major airports, seaports and aviation industry have become primary targets and are currently seeking to upgrade security resources and services to ensure 100% screening of passengers and work personnel.

From 2007 to 2013, the European Union promised to support the creation of new domestic security programs in order to provide more control over EU maritime borders. Other security measures being implemented throughout Italy include the creation of a “security fund” program. This will be used by the EU National Security Council to expand Italy’s regional law enforcement agencies and increase the number of active security personnel.

Best Market Prospects:

- Airport passenger and baggage screening equipment
- Cargo/container scanning equipment
- Infrastructure Security
- Access control systems (perimeter protection devices)
- Personal protection systems
- Anti-intrusion systems (burglar alarms)
- Biometric technology and CCTV Systems

Domestic defence industrial capability

The Italian aerospace, defence and security industry is the 4th biggest player in the European market and the 7th globally, as evidenced by figures from the AIAD, the Italian Association of Aerospace Companies. The sector accounts for 52,000 full-time jobs. The aerospace industry is the largest manufacturing sector in Italy in the field of high-technology integrated systems.

The Finmeccanica group covers the whole spectrum of defence and security activities. The Italian Ministry of Economy & Finance retains 30.2% of the share capital of Finmeccanica, while Italian and foreign institutional and private investors own the rest. Finmeccanica has permanent bases with significant production assets in three domestic markets: Italy (with a staff of more than 42,500), the UK (with a staff of around 9,700) and the US (with a staff of around 11,900). Italy’s Naval sector prowess is anchored around Fincantieri, and Fiat vehicles are active in the Land sector. Italy is building up its security industry too, with a reputation for high quality products.

Defence imports & exports 2007-2011

**Identified Italian Defence Import Procurement:
Total: \$1.8BN**

Top Country suppliers (\$BN)/Market Share:

USA	\$861M (48%)
UK	\$774M (43%)
Sweden	\$64M (4%)
Norway	\$23M (1%)
Israel	\$15M (1%)

**Identified Italian Defence Exports:
Total: \$10.6BN**

Source: UKTI DSO Survey of Defence Exports & Various Open Sources

Competitors

US and European companies are active in Italy and have won significant business. Italy and the US enjoy a good relationship and have worked closely on issues such as NATO/UN operations as well as on assistance to Russia and the New Independent States, Lebanon, Libya, the Middle East peace process; multilateral talks, Somalia and Mozambique peacekeeping, and combating drug trafficking, trafficking in women and children, and terrorism. Under long-standing bilateral agreements flowing from NATO membership, Italy hosts important US military forces at Vicenza and Livorno (Army); Aviano (Air Force); and Sigonella, Gaeta, and Naples – home port for the U.S. Navy Sixth Fleet. The United States has about 11,500 military personnel stationed in Italy. Italy also hosts the NATO Defence College in Rome.

Procurement organisation

On the whole, defence procurement priorities are decided by the central Defence Staff and then procurement procedures are staffed by the Procurement Executive: *Segredifesa*/National Armaments Directorate, headed by the Defence Secretary General/National Armaments Director.

In the security market, each security organisation has its own procurement office and different procedures. The two main procurement procedures are public tender or private negotiation that it is allowed only when the technology is recognised as unique in the market.

Offset policy

There is no public law on offsets. There is not even an official name for the offset policy. The public position is that Italy has no general offset policy, just ad hoc (offset) policies. The National Armament Directorate of Ministry of Defence is in charge of offsets, while specific internal commissions of each branch of the Italian Armed Forces (Air Force, Army, and Navy) monitor offset fulfilment. The threshold for offset is 5 million Euros. The minimum offset request is 70%, but generally goes up to 100%. The highest multiplier is 3. The focus is on export opportunities for Italian defence companies. There is no website or any offset programs, the closest would be the Minister of Defence website (www.difesa.it).

Key Personalities

The President of the Italian Republic

Giorgio Napolitano

Premier Minister

Mario Monti

Defence Minister

Admiral Giampaolo Di Paola

Chief of Defence Staff

Army General Biagio Abrate

Secretary General and National Armaments Director

Lt General Claudio Debertolis

Further Information

If you require further information/clarification on anything in this Fact Sheet please contact:

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Next steps – How UKTI can help

British companies wishing to develop their business in the Italian market are advised to undertake as much market research and planning as possible in the UK. UKTI's team in Italy, with its wide local knowledge and experience, can provide a range of services to British-based companies wishing to grow their business in global markets.

This can include:

- Provision of market information
- Tailored validated lists of agents/distributors
- Key market players or potential customers in the Italian market
- Establishment of interest of such contacts in working with you

This work is available via our Overseas Market Introduction Service (OMIS) a chargeable service which assists British-based companies wishing to enter or expand their business in overseas markets.

To find out more about commissioning this work, or accessing other UKTI services and specialist advice, please visit the UKTI website to find contact details for your local UKTI office.

Useful Contacts

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Other Useful Contacts

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Email: addetto_am@difeitalia.co.uk

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Air Attaché's Office

Tel:+44 (0)20 7730 9011

Military Attaché's Office

Tel:+44 (0)20 7730 8800

Export Control Organisation

Email: eco.help@bis.gsi.gov.uk
Tel:+44 (0)20 7215 4594

UK MOD Export Policy Assurance Unit

Email: CapEPA-Casework@mod.uk
Tel:+44 (0)20 7218 9080

Useful Websites

MOD F680 Applications:

<http://www.businesslink.gov.uk/bdotg/action/detail?itemId=1084277426&type=RESOURCES>

Export Licence Applications:

<http://www.businesslink.gov.uk/exportcontrol>
<http://www.bis.gov.uk/exportcontrol>.

Italian Ministry of Defence:

<http://www.difesa.it/Pagine/default.aspx>

Italian Defence Procurement Organisation:

<http://www.difesa.it/Segretario-SGD-DNA/SGD-DNA/Pagine/default.aspx>

Italian Ministry of Interior:

<http://www.interno.it/mininterno/export/sites/default/en>

UK Ministry of Defence:

<http://www.mod.uk/DefenceInternet/Home/>

UK Trade & Investment Defence & Security Organisation:

<http://www.ukti.gov.uk/defencesecurity.html>

FCO Italy Travel Page:

<http://www.fco.gov.uk/en/travel-and-living-abroad/travel-advice-by-country/europe/italy>

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