

Saab Kockums' maiden voyage (Part.2)

This article should be read as part two of the article « Kockums, the Repatriation of the Swedish Underwater Crown Jewel », *Défense&Industries*, FRS, n° 1, Juin 2014. The first article described how Sweden and Saab gradually, by early June 2014, were in a process of taking control over the naval ship and submarine company Kockums.

By April, 2014, Thyssen Krupp Marine Systems (TKMS, the then German owner of Kockums) and Saab had signed a Memorandum of Understanding stating that Saab would acquire Kockums. Saab had courted TKMS since the autumn of 2013 regarding an acquisition of Kockums. During the spring of 2014, TKMS' grip over Kockums gradually weakened as the Swedish state and FMV (the defence procurement agency) distanced themselves from TKMS, and supported a takeover of Kockums by Saab. So what has happened since early June?

Closing the Saab acquisition

On June 9, FMV and Saab signed a Letter of Intent regarding the Swedish underwater capability for 2015-2024. On June 26, Saab declared that they were still in ongoing talks with TKMS regarding an acquisition of Kockums: "The discussions are at a final stage but still ongoing."

On June 29, Saab declared that they had reached an agreement with TKMS for acquiring Kockums at a price of SEK 340 million (€ 35 million). TKMS initial price a few months earlier had been SEK 1,3 billion. As Saab had succeeded in attracting skilled submarine development personnel from Kockums during the spring, including TKMS AB's chief submarine designer, and as FMV had aborted practically all orders to Kockums – TKMS increasingly possessed an industrial facility with very limited business future.

FMV announced on July 2 that it had placed an order with Saab Naval Systems for 'design plans' for a New Lightweight Torpedo (NLT). (Note, Kockums not yet acquired). However, by July 22, Saab announces that it completes the acquisition of Kockums from TKMS, and Kockums is incorporated into Saab. Saab had by then reached approval from all concerned authorities in Sweden and Germany. *Saab Kockums* (the new name) became a business unit within Saab's business area Security and Defence Solutions. The new business unit Saab Kockums has its design office in Malmö, its pro-

duction site in Karlskrona (next to Sweden's main navy base), and also a former navy dockyard at Muskö for maintenance and repair.

Saab's broad naval presence

Prior to acquiring Kockums, Saab also had several other facilities in the Saab Group involved in naval defence systems: torpedo development in Linköping, missiles in Linköping, C3I systems in Järfälla and radar in Gothenburg. Saab's CEO Håkan Buskhe stated that "the acquisition is in line with our strategy to expand our offering and strengthen Saab's position in the market for naval systems. ... The acquisition makes us a complete supplier of naval military systems". By Aug 20, Saab Kockums stated that they are planning to hire up to 200 engineers in Malmö.

TKMS by now apparently experienced a diminishing fondness of military ship and submarine development. According to the German newspaper *Handelsblatt*, by September 12 TKMS was in negotiations for a sale of HDW (i.e. what remained of TKMS' military ship and submarine facilities) to the German defence company Rheinmetall. Rheinmetall in its turn was pondering divesting its unit for car components to Thyssen Krupp. *Handelsblatt* in this article also stated that Rheinmetall was interested in acquiring Optronica and Atlas Elektronik from EADS, companies highly active in defence technology.

Stabilizing Saab Kockum's future operations

Sweden had its national election on September 14. The election outcome meant that the sitting prime minister Fredrik Reinfeldt and his rightwing, four-party coalition – 'The Alliance' – would be replaced by some sort of coalition lead by the Social Democratic Party leader Stefan Löfvén. However, Löfvén and his closest collaborators the Left Party and the Green Party together only had 43.6 % of the votes. The Social Democrats have in recent years expressed clearly defence-friendly declarations and have been positive (together with the Alliance) towards costly development of an E/F generation of Gripen and of development of a new submarine. The Left and the Green party, however, have clearly been sceptic to such ambitious

defence technology developments. Löfvén is presently (September 30) forming a government with the Green Party (with 36.9 % of the votes together – leaving the Left Party out). On September 29, the party leaders of this two-party coalition declared that the Green Party accepts the Gripen and submarine development, but that the Swedish defence export regulations would become more restrictive towards "non-democratic" nations (as the Green Party had been suggesting for many years).

On September 29, FMV announced two orders to Saab Kockums. Firstly, an order of ten underwater ROVs (Remotely Operated Vehicle). These ROVs are to be integrated aboard patrol boats and auxiliary ships in The Swedish Navy. Secondly, an order of SEK 130 million for an overhaul of the submarine HMS Halland (Gotland class) during 2014-15. Together with the July torpedo order; these three orders were referred to by FMV as being part of the 2015-2024 Letter of Intent. The development of the Next Generation Submarine is also well under way in the present political and procurement context.

Implications

Saab Kockums is clearly experiencing fair wind in the first months of its maiden voyage. During several years prior to 2014, Kockums operations and product development were characterized by a procurement and ownership roadblock on a grand scale. Saab's torpedo development had also for years experienced a defence procurement standstill. A perhaps worrying cloud towards the horizon, however, is the export market. Present export orders are modest, and technology development in the naval area solely for the Swedish demand would be costly for Sweden. Perhaps Kockums will be pulled along on the export market by the highly export successful Saab Group. In aggregate however, for the Swedish Navy's submarine force, Saab Kockums' submarine development and Saab's naval business units; massive uncertainties have turned into a promising future rising on the horizon.

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