

The Future of Australia's Naval Shipbuilding Industry:

**Saab Australia Submission to the Senate
Economics References Committee**

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Introduction

Australian naval shipbuilding is an important element of the nation's economic growth. Saab acknowledges the importance of shipbuilders and notes their key function is to produce platforms to position Combat Systems wherever the Government wants them to be.

Saab Australia is not a shipbuilder – it is a Combat Systems Manager/ Integrator, connecting the ‘ears, eyes and defences’. A Combat Systems Manager/Integrator ensures the safety of a ship and fleet at all times, allowing sensory, communication and defence systems to ‘talk’ to each other. Saab provides the ‘brain’ of the ship – a modular and fully scalable system known as the 9LV Combat Management System (CMS). In collaboration with the RAN, Saab has extended this capability to interoperability with US technologies, including the ability to fire US missiles.

Saab has played a major role in the development of the CMS in the world leading ANZAC Frigates. Commencing with a technology transfer in 1987 and in collaboration with Australia's Defence Forces, the ANZAC CMS has evolved into a local Australian product with export credentials including Sweden, Finland, New Zealand, Canada, Thailand, India and the UAE. The same CMS is also on the Landing Helicopter Docks (LHD) and the Auxiliary Oiler Replenishment Ships.

Saab's Australian Combat Management System is now or going to be deployed on 12 Royal Australian Navy capital ships, providing world leading capabilities in Anti-Ship Missile Defence (ASMD).

Most important of all, the Intellectual Property for this Australian developed Combat Management System remains with Australia.

Development of contracts relating to naval ship and submarine building

Based on its historical success and lessons learnt in the past 30 years, where the ANZAC Frigate ships were essentially built on time and on budget, Saab recommends an early selection of the Platform and Combat Systems in naval ship and submarine building.

Early selection of the Platform and selection of the Saab 9LV Combat System in the Future Frigate Project for example, would significantly de-risk the programme by:

- Allowing Saab to work directly with the three hull designers in integrating the mandated CEA Radar system;
- Running design changes to accommodate the Combat System and Radar in parallel to the current hull evaluation process.

Mandating the Saab CMS in the Future Frigate project would also eliminate the requirement for an independent and separate Combat System Integrator and thus offer cost savings.

One of the key factors in ANZAC's success was the early selection of a Combat System and strategic partners. This encouraged collaboration between Saab, its industry partners and the RAN, resulting in the development of a world class, indigenous product.

Design, management and implementation of naval shipbuilding and submarine defence procurement projects in Australia

One clear lesson from 30 years in the Australian naval industry is to form strategic and collaborative relationships within the industry. Saab Australia's collaboration includes:

- Ongoing evaluation and developing capability of the ANZAC Frigate with the RAN;
- Development of an Advanced Maritime Systems Centre based at Mawson Lakes in collaboration with the Defence, Science and Technology Group (DSTG);
- Update the control management and monitoring systems (integrated Ship Control Management and Monitoring Systems – ISCMMS) with the ASC.

Utilisation of local content and supply chains and Integration of offshore design work and supply chains

Attendance and participation of local businesses and supply chains in Saab’s Industry Engagement Programme is a clear indication of the importance of utilising local content.

A recent Maritime Roadshow, conducted around Australia seeking interested potential local suppliers to Saab Australia, is a proven success story in Saab Australia’s belief in the importance of supporting and encouraging local business. The Roadshow presented 320 briefings across Australia – all potential local businesses registering their interest in playing their role in building Australia’s Defence Industry, with the support of Saab.

In its total industry engagement programme (2016/17) Saab Australia conducted more than 1,000 briefings and hosted four trade missions.

This included engagement with:

- Department of Industry, Innovation and Science – AusIndustry
- Adelaide, South Australia, Flinders and Monash Universities
- AIDN – WA, NT, Tasmania and Victoria
- Tasmania, Queensland, South Australia, Victoria, and New South Wales State Governments, as well as the Northern Territory
- Riverina Defence Alliance
- Industry Capability Network Gateway
- Defence Teaming Centre
- Indigenous Defence Consortium
- Defence Science Technology Group

| Saab Australia Industry Engagement events 2016 - 2017 as at 16 Feb 17 | | | | | | | | | | | | | |
|---|--|--------------|----------|----------|----------|--------|---------|----------|----------------|-----|----------|---------|-------|
| Project | Maritime Roadshow | SEA 5000 (5) | SEA 1654 | SEA 1000 | SEA 1180 | ISCMMS | JP 2060 | LAND 400 | LAND 19 7B (5) | USV | Hololens | CSC (6) | TOTAL |
| Type (1) | | | | | | | | | | | | | |
| Portal Registrations | | | | | | | | | | | | | 147 |
| Briefings | 320 | 12 | | 4 | 1 | | 316 | 345 | | 1 | 14 | | 1013 |
| Questionnaires | | | | | | | | 46 | | | | | 46 |
| RFIs | | | | | | | 8 | 32 | 3 | 1 | | | 44 |
| RFQs | | 6 | | | 5 | 11 | | 10 | | 5 | 3 | 1 | 41 |
| Site Visits | | | | | 1 | | 12 | 6 | | | 7 | | 26 |
| Trade Mission | | 1 | | | | | | 3 | | | | | 4 |
| Indigenous (2) | | | | | | | 11 | 1 | | | | | 12 |
| | | | | | | | | | | | | | 1333 |
| Notes | (1) Excludes 519 AU s/c on existing contracts across all the AU business | | | | | | | | | | | | |
| | (2) Engagements with Indigenous Business | | | | | | | | | | | | |
| | (3) Excludes the Saab AU Civil Security business | | | | | | | | | | | | |
| | (4) Source is individual project records | | | | | | | | | | | | |
| | (5) Early in project - potential for significant increases | | | | | | | | | | | | |
| | (6) only CEA - but many A\$100m of export potential | | | | | | | | | | | | |

Opportunities for flow on benefits to local jobs and the economy

In 30 years Saab has invested more than \$1.4 billion into the local communities of South Australia and Western Australia. Saab intends to continue to support local jobs, with significant investments and strategic alliances with educational institutions. Projects such as the Future Frigate programme will provide significant encouragement for expansion, jobs growth and utilisation of local business. Developing export markets will underpin local supply chains and provide confidence for the development of local jobs.

Exports:

Saab is a proven exporter of world class Australian technology, with \$70M AUD exports to Sweden, Finland, New Zealand, Canada, Thailand, India and the UAE. Canada recently issued a Request For Tender for the Combat System on the Canadian Surface Combatant programme (up to \$AUD 2.5 billion for 15 ships). Saab is the only Australian company that has qualified to offer a solution which includes a CEA Technologies (Canberra based) Phased Array Radar. If successful, this will be Australia's largest Defence export in history.

Education:

Collaboration with Universities and Schools, at industry and company level, reflects another lesson learnt by Saab in its growth as a Defence Industry specialist. Saab believes encouraging undergraduates, providing real challenges in a working environment, will ensure a stronger Australian industry. In the past 12 months Saab Australia has doubled its intake of Graduates and is planning to continue to expand the programme.

Current programmes include:

- Defence and STEM Internship Programme
- Local area schools
- Undergraduate and Graduate partnerships with Universities of South Australia, Adelaide and Flinders
- Subs in Schools
- Northern Area Leaders Network

Diversification providing more local jobs and business growth

In 2002 Saab Australia had two contracts: ANZAC Class Combat Management System and Battle Command Support System for the Army. Fifteen years later, through diversification, technology developments and strategic alliances there are multiple contracts across the Maritime and Land spaces.

Air Traffic Control, Unmanned Vessel technologies (linked with extensive graduate mentoring programmes) and software development for Microsoft's Augmented/Virtual Reality HoloLens technology (one of only ten world-wide agencies) reflect the broadening depth and scope of Saab's diversification.

A highly successful Civic Security venture, the direct result of utilising technologies borne from Defence Industries, has seen Saab provide security facility management in prisons across most States of Australia. Services provided include:

- Facilities and Infrastructure
 - High security facility management
 - Critical infrastructure protection
 - Port security solutions
- National security, police and rescue:
 - Communication Systems
 - Public Security and Safety Management
- Cyber Security