

## Shipbuilding Enquiry – Saab Systems View

I am representing Saab Systems – a Swedish owned company that set up as an SME in 1990 on the back of the ANZAC Ship Project. Our company's role has been to provide naval combat systems which we can consider to be the computing and electronics segment of a warship. The ANZAC project gave the company the impetus to bring extensive technology to Australia and to invest in its support.

At a meeting with the Defence Minister at the time, which was Mr Beasley, he emphasised the importance of establishing a company here, raising the level of capability of its Australian employees through the project and striving to become an Australian based technology company with Australian management and ambitions of export sales. This has all been achieved, giving testimony to the belief that major programs – such as shipbuilding – are very positive for the economy, industrial capability, the Defence Forces and the personal development of Australian professional engineers.

Saab Systems believes that large shipbuilding projects affect many more businesses than just the shipbuilding companies and in respect of combat systems they are important for the following reasons:

- Combat systems are an essential part of large naval vessels and in cost terms are generally a large proportion of the construction phase and an even greater proportion of the follow-on support phase.
  - The integration of ship and combat system is best achieved when the engineers working on each part are closely linked both geographically and in their approach to the task. They must also understand the customer and the operational environment in which they operate and it is best if they themselves have an ongoing stake in the outcome.
  - The greatest cost of a warship is the cost of support and upgrade provided during its working life. This is most economically provided from Australian based organisations whose origins need to be during the construction and initial delivery phase.
  - The long term economic outcome is that Australian based support for the life of a ship is much cheaper and more responsive than foreign based support or introduction of a new development or support facility into Australia.
  - It is only by local construction that fledgling Australian companies can get a kick-start. Saab Systems was one of these fledgling companies back in 1990 and it is now in its 16<sup>th</sup> year with a wide range of operations and a large workforce making significant contributions to the Australian economy.
  - Many successful companies have continued to work in Australia providing an ongoing conduit for global technology into Australia and giving Australians the experience that hones world-class skills.
  - Once these companies are established the cost of another Australian combat system would be lower than the cost of a foreign one. This also maintains skills and the challenges that Australian engineers need and it capitalises on infrastructure and capability already bought by the Australian Government.
- . These programs provide a nation-wide stimulus for training and development of an experience workforce which in the future play very useful roles in defence and non-defence industries.

As a spin off from large industrial development, Australian companies get the confidence and track record to be able to compete for international work. International companies are encouraged to establish in Australia and then to share their order backlog with the Australian entity which have very often been shown to be world competitive in production. If there is no identifiable future investment by Government, then the international companies will retreat offshore which harms employment, education and business confidence.

Unlike many overseas countries, for defence sales purchased offshore. This is to ensure best value for money for what is bought. But this means that there is no impetus for defence money spent offshore to establish business and employment in Australia. If money on large programs is spent in Australia then it not only builds immediate employment and technical capability but it also puts in place a sustained capability.

From a national point of view, without have a strong indigenous electronics industry, Australia has little to bargain with when negotiating the transfer of foreign owned intellectual property to Australia. A country with only a simple (support related) industry base will only be regarded as a simple buyer not carry the weight of a country with a more established industrial base.

Finally, large programs such as naval shipbuilding are effective in establishing and sustaining effective engineering companies. Among these, the electronics companies and SMEs get the boost that they would otherwise not have. This leads to lower through life costs, more effective integration and greater alignment with Australian requirements.

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ANZAC → roadmap for lifting our processes, capabilities and procedures to world competitive standards

Australia's distance from traditional (and emerging shipbuilding nations), we need a stimulus to our level of activity. No one else will employ Australian subcontractors.

Without stimulus, SMEs will suffer first.

Australia does not have an offsets policy. We need other economic stimulus to building businesses. Large local programs so this.