

Kockums : the Repatriation of the Swedish Underwater Crown Jewel (Part.1)

Sweden had a period from 1996-1999 when two parallel processes radically changed the nature and the conditions of Swedish defence-industrial landscape. The first process was that the state ownership of and in the defence industry was terminated. The second process was that several large Swedish companies were acquired from abroad: Hägglunds (armoured vehicles) acquired by Alvis Plc. from the UK in 1997, Bofors Weapon Systems (artillery, munitions) acquired by United Defence from the US in 2000 and also Kockums (submarines, naval ships) acquired by German HDW in 2000. British Aerospace (later BAE Systems) also acquired 35 % of Saab in 1998. Sweden was the most liberal country in Europe in allowing foreign ownership of defence companies.

Kockums has traditions back to 1689, when Karlskronavarvet was founded. Karlskronavarvet was merged by the state with other Swedish naval facilities in 1989, and Kockums AB became the name of the new entity. Kockums and its predecessors have always been the preferred and prioritized supplier to the Swedish Navy of first naval vessels, later also submarines. In the 20th century, a specialized underwater technology competence was developed in Sweden. This competence was perfected towards the demands and conditions of the Baltic Sea: *brown water* (as opposed to transparent, "blue water" in the Atlantic and Pacific Oceans); a *shallow sea* with shallow littoral water, speckled with islands; unique *hydrological and current* conditions. Based on these conditions and the clear threat perception of an aggressive Soviet Union on the other side of the Baltic, Sweden put in large resources into developing and maintaining a world class underwater defence competence.

A special Swedish condition is that defence technology developed with finances from the Swedish state becomes the property of the state; transfer of technology IPR requires permission from the Swedish state, and a foreign owner is strictly restricted by this.

Kockums has had an interesting sequence of integration with foreign submarine producers. In the late 90s, Kockums developed cooperation with French DCN regarding submarines. However, when HDW acquired Kockums in 1999, this cooperation was terminated. HDW was surprisingly acquired by the US investment fund One Equity Partners in 2002. Why they chose to acquire such a strategic defence company was never revealed, but the probable explanation is that OEP acted as a front for Pentagon; George W. Bush had in 2001 promised to provide Taiwan with conventional subs. The US however had no domestic competence or facility to produce conventional subs. The German and Swedish states did not allow OEP to transfer their national submarine technologies to the US (partly so not to anger the important trade partner China). HDW thereby became a weak investment for OEP. Consequently, HDW was acquired by German Thyssen Krupp Marine Systems (TKMS) in 2004.

After 2004, there has been a slowly growing discontent from FMV and the Swedish state with the TKMS as owners of Kockums. Firstly, TKMS has consistently given preferential treatment to selling its German submarines. Kockums has either not been allowed to offer their submarines, or (according to respondents at Kockums) constantly given Kockums technology specifications to abide by in their offers – specifications impossible to materialize. Secondly, TKMS has strived to transfer Swedish submarine technology to Germany, which FMV has ardently resisted. Thirdly, FMV has since around 2008 strived to initiate development of the next Swedish submarine generation: A26, but has failed to come to terms with TKMS. Fourthly, TKMS suggested in 2014 that Kockums should exit the segment of larger submarines and focus on the niche segment of producing much smaller submarines; there is however no demand for such small submarines from world navies. In sum, it is obvious that the German owners wanted to take control over a competitor, transfer its technology to the mother company and to let the Swedish subsidiary with-

er away.

During this period, the latest Kockums submarine generation *Gotland* proved itself highly competitive by being impossible to find by a US fleet during a military exercise in 2004 in the Mediterranean. As a result of this identified blind spot in the US Navy capabilities, a *Gotland* submarine with a Swedish naval crew was leased by the US Navy to service for two years at the naval base in San Diego, California from 2005-2007.

In the autumn of 2013, FMV withdrew the contract with TKMS to build A26, since they failed to come to terms with TKMS regarding the mutual responsibilities for A26.

In the spring of 2014, several dramatic and symbolic events have occurred in relation to Kockums.

> Previously, solely the fighter competence (i.e. Gripen) has been determined to be of national strategic importance. The submarine competence has implicitly also been strategic at that level, but for the first time the Defence Minister Karin Enström declared on March 26 that the domestic submarine development capability is of national strategic importance for the capabilities of the Swedish Armed Forces.

> On April 8, FMV organized a delegation that entered the Kockums premises in Malmö in order to confiscate military equipment based on technologies owned by the Swedish state. The delegation was escorted by military police, and this raid was quickly dramatically described in Swedish media. The military police however did not confiscate at gunpoint, they merely assisted in safely escorting the equipment that was confiscated. During the raid, there was (understandingly enough) a verbal conflict between the company representatives at the premises, the German owners and FMV. The German owners ordered the gates to be closed, with FMV inside. At the end, the FMV delegation and the TKMS representatives settled for a compromise where the equipment is stored outside of the Kockums premises, guarded by Swedish military, but under mutual surveillance.

> A third and interrelated development that surfaced during the spring of 2014 was that Saab declared an intent to grow in the naval area by producing submarines and surface ships. Saab was already active in producing torpedoes, sea-based radar and missile systems, underwater unmanned vehicles and naval C3I systems. Apparently, this was part of a Swedish Grand plan to redirect the submarine development capability over to a company more willing to produce for Sweden. Saab openly declared that they recruited skilled personnel experienced in submarine production. By early May, roughly half of Kockums submarine development personnel had switched over from Kockums to Saab.

> Another related development outside of Sweden is the increased military aggression by Russia, and the Easter 2013 violation of Swedish territory by Russian military aircraft. This development has shifted the Swedish military debate towards more homeland defence, and a more outspoken rhetoric towards Russia as a more

obvious threat.

> On June 2, 2014 FMV declared that they would immediately terminate practically all planned maintenance contracts for Swedish naval vessels and submarines to Kockums. On June 9, 2014 Saab announced in a press release that they had been awarded an order of SEK 467 million (~€ 50 million) from FMV for the construction and production phase for the next generation of Swedish submarines. According to this press release, FMV and Saab have also signed a declaration of intent for the period 2015-2024 regarding "the Swedish military's underwater capability". This declaration of intent could generate orders of up to SEK 11.2 billion (~€ 1,5 billion) during that period. Through this, Saab is now the prime integrator of the Gripen fighter system as well as the underwater technologies – the only two technology areas that have been deemed of national strategic importance. Saab will rise from the present two thirds of Swedish defence materiel production to around 85 % (partly depending on if they will be able to buy the Kockums

part of TKMS, or if they will organize their new responsibility in some other way).

To summarize, Sweden had in 1999 a belief that foreign ownership of a strategic defence company would not jeopardize the continued livelihood of a domestic resource for Swedish submarine development. This however proved wrong, and the Swedish government has in 2014 made a dramatic policy shift by taking control over the domestic submarine development capability. A fundamental and remaining issue to resolve is the fact that Saab has no naval shipyard, TKMS owns the only present facilities. To build a new shipyard would be extremely costly (and would have to be financed by the Swedish state) and it is difficult to find a suitable place to build such a shipyard. TKMS now has no use of its present Swedish shipyard. FMV and Saab want to get their hands on it. How this will be settled is the pending big question.

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A26 : the Next Generation of Swedish Submarine

The next generation of Swedish submarines is named A26. The two previous versions (still in service) are *Södermanland* (in service 1989, 1 070 tons, reequipped 2003 with Stirling propulsion) and *Gotland* (in service 1995, 1 600 tons).

Sweden, Norway and Denmark initiated a collaboration in 2003, *Viking*, in order to develop a new submarine. This collaboration failed when first Norway decided to exit and then Denmark decided to close down its subma-

rine capability in 2004. *Viking* was terminated in 2004, promptly after Denmark's exit. For a while the next generation was named *Ubåt Ny* ("Submarine New"), but the program was later named A26. A26 is so far an all-Swedish project.

Gotland has a diameter of 6.2 m, A26 will have a diameter of 6.75 m and a weight of about 2 000 tons. This increase in size will facilitate the production and signature capability. A new and internationally unique feature on

the A26 is that there will be a large tube in the stem. Through this tube divers, vehicles and equipment can be released or taken in.

When A26 will start to be produced and when it will be operative is still unclear, albeit less unclear compared to before Saab fully submerged into the submarine arena.

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