



Incomplete and faulty – a comment to the Norwegian aircraft procurement

During the past two years, Saab has participated in the procurement process to replace the Norwegian F16 air force fleet. Throughout Saab has experienced it to be a professional and open process and has had good relations to all concerned Norwegian counterparts.

We have provided answers to thousands of technical, economic and organizational questions. We have also continuously been given clear signals that the answers provided have been satisfactory. It is important for procurement processes of this kind that the potential customer has access to all information considered important to form a fact based decision. We have not once had reason to believe this was not the case. We were given reason to believe that the Norwegian government wanted a close industrial co-operation between the two countries, and therefore put great emphasis on finding strong and competitive co-operative possibilities.

The Norwegian prime minister's announcement on 20 November that Norway had chosen the American F35 Joint Strike Fighter (JSF) came as a surprise to Saab. The arguments put forward seemed to have very little, or no, establishment in the preceding procurement process. We did not recognize ourselves in the assessment of Gripen's operational capacity or the description of its costs. It sounded like the description of another aircraft. The industrial co-operation we had promised to create, to a value of up to NOK 50 billion, seemed not to have been of any greater importance.

Saab fully respects Norway's right to procure the aircraft representing its government's preference. We have been in the industry long enough to know that these types of decisions contain several different considerations; they are sometimes to our advantage and sometimes not. However, Saab must clearly point out our view that the reasons publicly brought forward by the Norwegian government cannot rest on a thorough evaluation of the alternatives. The claim that Gripen does not fulfil Norway's operational demands and that Gripen would prove essentially more expensive must, according to our view, rest on an incomplete, or even faulty, analysis. It is not only important for Saab that certain facts are clarified, it is equally important for existing and future procurers of Gripen as well as for our partners and shareholders.

Saab has conducted a thorough evaluation of the information communicated by the Norwegian government in relation to the decision. We hold that:

- claims that Gripen does not meet the Norwegian air force's demand rests on simulations containing incomplete or non-existent capacity information
- the alleged life cycle cost does not rest on experience of the Gripen system but has been calculated by applying own assumptions and models of calculations.
- conditions underpinning the calculation are in parts radically altered and based on internal Norwegian assumptions.

Saab AB (publ)

Postal address
SE-581 88 Linköping
Sweden

Telephone
+46 (0)13 18 00 00

Telex
+46 (0)13 18 72 00

Registered office
Linköping

Registered No.
556036-0793

VAT No
SE556036079301

Internet address
www.saabgroup.com

Simulations with incomplete data

The claim that Gripen does not fulfil the operational requirements required by the Norwegian air force is important to understand. It also turns out to be founded on simulations previously unknown to us. To our understanding those simulations must be based on incomplete performance information, simply because such information about Gripen has neither been communicated to us nor requested from us or the Swedish government. The Norwegian evaluation committee has thereby not had access to the parameters required to reach the announced results. Saab therefore makes the judgment that the basis for the decision cannot have been sufficient for the far-reaching conclusions made in these previously unknown simulations.

Price comparisons with inadequate assumptions

A key argument for Gripen is its extremely competitive life cycle cost. Compared to competing aircraft Gripen is a cost effective alternative. Therefore, it was a great surprise to Saab when the Norwegian evaluation committee concluded that Gripen would have a higher life cycle cost. It is not consistent with what we know of the costs of keeping different air crafts operational over time. If the claimed estimates are correct it would be cheaper for Norway to obtain JSF, even if Sweden would have developed and given 48 Gripen Next Generation (NG) as a gift to Norway. It should be unreasonable.

It also turns out that the Norwegian estimates to a large extent rests on previously undisclosed conditions and complex re-calculations and assumptions. It is Saab's assessment that only 20 percent of the Norwegian evaluation committees cost estimates are based on the facts presented in the Swedish offer. Remaining estimates represents, according to our view, assumptions and self-made estimates, not based on information that has been confirmed by us. The number of aircraft has been changed from 48 to 58 and the operational life cycle has been extended from 25 to 35 years. These are two new conditions entirely decisive for the calculation. That these calculations to a large extent have been conducted without dialogue is most unusual and has contributed to an incorrect picture of the alternatives.

Three examples of assumptions which have great effects on the calculation concerns upgrade costs, crashes and fuel consumption. It is our view that the calculations have a weak or non-existing relation to the Swedish offer or from the gathered experience of Gripen.

Saab's own calculations of upgrade costs are based on 50 years of experience of developing and upgrading fighter aircraft to customers in Sweden, Denmark, Finland, Austria, Hungary and the Czech Republic. Norway has applied its experiences from the F16 to these costs – a very different and in important aspects non-comparable aircraft. Upgrade costs according to the Norwegian calculation are several times higher than the costs Saab and Swedish authorities have calculated and provided.

Saab AB (publ)Postal address
SE-581 88 Linköping
SwedenTelephone
+46 (0)13 16 00 00Telex
+46 (0)13 18 72 00Registered office
LinköpingRegistered No.
556036-0793VAT No.
SE556036079301Internet address
www.saabgroup.com



Our estimated value of fuel consumption is based on experience from 120,000 flight hours with Gripen. Even though the Norwegian specification of requirements seeks lowered fuel consumption, the evaluation committee chooses to raise the values we have provided, adding further additional costs.

The cost for replacing aircraft is part of the estimation, with the assumption that almost half of the aircraft fleet will crash in 35 years. This is completely unfounded if applied to Gripen's statistics. This also adds further billions to the calculation.

Further to this is a number of questions that the Norwegian evaluation group has chosen not to respond to, such as what specific currency rate was used, what price was used for calculating purchase of further aircraft, what other considerations in the calculation that had the procurement price as basis for the calculation and how much the weapon procurement was estimated to.

Saab has not received any information that makes us change our understanding of the accuracy of our initial calculation. However, should we adjust our calculations according to the new information, Gripen is still faced with a total cost that substantially falls short of the published figures.

The evaluation has undergone external quality inspection in Norway. Given that there are in our view many apparent unreasonable assumptions and calculations regarding the economic evaluation, it reasonably also casts some doubt over the operational evaluation.

Moving on towards new markets

Saab respects the Norwegian decision and is fully aware that many considerations, political as well as other, govern this type of procurement processes. From our perspective, it is however entirely unreasonable that our main product has been claimed not to fulfil operational demands for future threats that could come to affect our clients without being able to meet these claims. It is also entirely unreasonable that the Norwegian evaluation committee, according to us, allocates a price to our product not based on accurate facts. To Saab it is important to call attention to that claims of Gripen's insufficient performance and high costs are not founded on recognized facts and experiences.

We now move on and gather strength on markets where there is a real interest to evaluate Gripen based on our offers and a genuine and mutual interest to establish long-term industrial cooperation. Gripen is a very competitive alternative, operationally as well as financially. Saab's goal to sell 200 aircraft on the export market remains and today we are pursuing active marketing towards eight potential customer countries. We are confident that we will conduct many more successful deals.

Saab Corporate Communications and Public Affairs

Saab AB (publ)

Postal address
SE-561 88 Linköping
Sweden

Telephone
+46 (0)13 18 00 00

Teletax
+46 (0)13 18 72 00

Registered office
Linköping
Registered No.
556036-0793

VAT No
SE556036079301
Internet address
www.saabgroup.com