



# NORWEGIAN DEFENCE AND SECURITY INDUSTRIES ASSOCIATION (FSi)

THE LEADING ASSOCIATION IN NORWAY ADVOCATING THE INTERESTS OF ITS SECTOR, AND THE PRIMARY INTERLOCUTOR FOR THE GOVERNMENT IN MATTERS OF IMPORTANCE TO THE INDUSTRY. AFFILIATED WITH THE CONFEDERATION OF NORWEGIAN ENTERPRISE (NHO) AND REPRESENTING MORE THAN 100 COMPANIES

## LEDEREN HAR ORDET:

### Fornyhet mandat skaper forventninger

Velgerne har fornyet den rødgrønne regjeringens mandat. Med utgangspunkt i en oppdatert politisk plattform (Soria Moria II) tar flertallsregjeringen sikte på fire nye år i regjeringskontorene. Soria Moria erklæringen fra 2005 er det politiske fundamentet for utviklingen av samarbeidet mellom Forsvaret og industrien, som Stortingsmelding nr. 38 (2006-2007) "Forsvaret og Industrien - strategiske partnere" beskriver.

FSi forventer at regjeringen benytter sitt fornyede mandat til å videreføre og styrke innsatsen for å nå målsettingene i St. meld. nr. 38. Det er mange utfordringer i de nærmeste år som vil kreve fortsatt tett dialog mellom myndighetene og industrien dersom vi skal lykkes med å videreutvikle og styrke de nasjonale industrielle kompetansemiljøene. Forsvaret behøver for å understøtte sin operative virksomhet. Skal vi nå ambisjonen om at forsvarsindustrien skal være en av de

prioriterte sektorene Norge skal leve av når oljen og gassen tar slutt, slik det nylig ble uttrykt fra den politiske ledelsen i både Forsvars- og Nærings- og Handelsdepartementet, må ytterligere satsning til.

Rammebetingelsene må kontinuerlig tilpasses og forbedres. I den kommende fireårsperioden skal Norge med stor sannsynlighet implementere EUs nye direktiver for handel med forsvarsmateriell som ble formelt godkjent for noen måneder siden. EUs medlemsland har nå to år på seg til å implementere direktivene i nasjonal lovgivning. Norge vil, ettersom direktivene er en del av EUs indre marked og dermed direkte knyttet til EØS-avtalen, måtte forholde seg til direktivene. Norsk forsvarsindustri er svært opptatt av at norske myndigheter tett følger opp hvordan de store EU-landene iverksetter direktivene og hvilken tolkning de legger til grunn ved implementeringen. Det er helt avgjørende for norsk forsvars-

industri at vi nasjonalt implementerer direktivene på en slik måte at norsk forsvarsindustri får likeverdige rammebetingelser både i hjemmemarkedet, og i det europeiske markedet for forsvarsmateriell, som de øvrige landene i EØS-området.

I løpet av den kommende fireårs perioden legges det også opp til å fatte endelig beslutning om anskaffelse av nye kampfly. Lockheed Martins F-35 er den eneste gjenværende kandidaten. Stortingsproposisjonen om nye kampfly (St. prp. nr. 36 (2008-2009)) har et høyt ambisjonsnivå for de industrielle ringvirkningene av anskaffelsen. Det gjenstår svært mye arbeid før det med en tilfredsstillende grad av sikkerhet kan hevdes at disse ambisjonene vil bli oppfylt.

For å sikre at Forsvaret får dekket sitt fremtidige behov for kritisk kompetanse og teknologi, må Forsvaret og myndighetene målrettet følge opp overfor leverandøren og amerikanske myndig-

heter slik at det industrielle innholdet blir vesentlig forbedret. Det er avgjørende at Forsvaret og industrien har et omforent budskap og at vi gjennom handling og beslutninger, bl.a. i.f.t finansiering av utviklingsoppdrag til norsk industri, skaper troverdighet til våre ambisjoner om at norske produkter skal bli en del av F-35 systemet.

Arbeidet frem mot en beslutning om anskaffelse av fly, som er planlagt å finne sted våren 2011, blir svært avgjørende for resultatet. Anskaffelse av nye kampfly krever at Stortinget bevilger mange milliarder kroner i tillegg til det ordinære forsvarsbudsjettet. Vi tror det kan bli en utfordring å få det til dersom det ikke kan dokumenteres at kampflyanskaffelsen gir de forventede industrielle ringvirkninger. Derfor er det helt avgjørende, både for Forsvaret og industrien, at forpliktende avtaler som sikrer oppdrag og leveranser fra norsk industri er på plass før det inngås avtale om kjøp av fly.



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# Supplier Seminar and Mini Trade Show

FSI's annual supplier seminar and mini trade show began on 2-3 September. Kongsberg was the main organiser of this year's trade show and seminar, including about 40 companies that benefited by showing their products in Fanehallen at Akershus Fortress.

Defence Minister Anne-Grethe Strøm-Erichsen opened the supplier seminar and mini trade show by emphasising in her speech the need for professional gatherings of this kind.

"There are so few of us here in this country; that it is very important meet like this and support one another," Strøm-Erichsen said. After her speech, she took some time to

visit all the company exhibition stands.

Day 1 of the supplier seminar was reserved for FSI members. Participants shared experience among themselves on how Defence contracts are won.

Several of the speakers stressed the need for a long-term relationship with Defence, and as an example the newly signed NASAMS contract with Finnish

Defence was mentioned. The first contact between Kongsberg Defence and Aerospace and Finland was 17 years ago.

The main challenge connected to a long-term relationship is of course to have the financially backbone to hold out until a contract hopefully comes through. This was naturally emphasised by the representatives from the smaller companies.

But, as one of the speakers said; "First of all and one must be there at the right time. Maybe it is not very exciting to manufacture 2 units a year and 4 units over two years. But being there at the right time means getting in early. Because you will not

get into a project when you are talking in the range of 300 units a year."

## Bring on the small companies

The FSI member is a rather diverged group of companies, from Kongsberg Group with more than 5200 employees in more than 25 countries, down to one or two persons companies. Member companies also represents a very broad spectre of business fields, everything from research and development, manufacturing, production and consultants to trade or purely commission agencies for international companies.



Tomm O. Pedersen and Charles E. Vezina from from Oskar Pedersen AS at the FSI Mini Trade Show. Photo: MilitærTeknikk



Electronicon AS, here represented by Egil Simonsen, was one of almost 40 companies at the Mini Trade show. Photo: MilitærTeknikk



NFM presented equipment for the future Norwegian soldier. Photo: MilitærTeknikk



Defence Minister Anne-Grethe Strøm-Erichsen emphasised the need of gatherings of this kind. Photo: MilitærTeknikk

Naturally is a huge challenge for FSI to represent all member companies in balanced way.

This challenge was illustrated by figures presented.

FSI's 4 largest member companies (category 1 members) contribute with approximately 33 % of FSI's total membership fees, while small companies pay approximately 67 % of the total membership fees. Still, small companies are significantly underrepresented in all FSI's forums and committees compared to the large companies.

One suggestion was that FSI begin discussing a committee and forum arrangement established specially for small businesses, also maybe establishing business development forums for new projects.

Representatives from the all the large member companies displayed the importance the smaller companies. As one of

the larger companies representatives stated;

–We are dependent of a number of smaller companies as sub-suppliers, and if we are successful in the export marked, we generally bring our sub-suppliers with us when we go abroad. Further on, success in the export market creates significant offset obligations for our company that also benefit the subcontractors.

Though a major part of the debate was related to the problems and challenges of being a small company in the defence marked, on representative concluded by pointing at the upside:

–The advantage of being a small company in this market is that we are talking about large sums of money for us small guys. If for instance we as a small company can get only 1% of the Kongsberg turnover, we are a very happy company.”

## Come to the big companies with your ideas!

Roar Langen from Vinghøg stated that he wished subcontractors and small companies would provide large companies with new ideas.

This statement could easily be misunderstood as rather provocative, but the statement was backed by Vinghøgs own experience.

“Vinghøg's collaboration with

FFI and the Norwegian Defence was the basis for developing Kongsberg's weapon station,” Langen said. “But when we realised this was too big a project for us in 1999, we transferred ownership to Kongsberg. We are presently a subcontractor for the project, and continue the successful cooperation with Kongsberg.”

–“In many ways it is difficult to watch projects grow so large; the company that owns the original idea will then need a business partner. This was especially difficult for our engineers and technicians, letting a good idea go. But this is often necessary,” Roar Langen emphasised. “Too many good ideas just get left in a desk somewhere because the

greatest challenge is often getting an idea into the market, not coming up with it.”

Vinghøg has today a turnover of approximately 650 million NOK, of which approximately 264 million are from export. Contracts with subcontractors amount to approximately 141 million, and the company have roughly 120 subcontractors.

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# NAMSA

**The NATO Maintenance and Supply Agency (NAMSA) is NATO's main logistics agency. In addition to ensuring logistics support for NATO Alliance operations, NAMSA also offers materiel procurement processes, maintenance, warehousing & transport, technical support and disposal or demilitarisation (for example ammunition) for member countries.**

Everything points to Norwegian Defence using NAMSA in connection with materiel investments more and more in the future.

Asle Kjelsberg from the Norwegian Defence Logistics Organisation (FLO) explained that Defence always carries out an assessment of a procurement strategy when a military specification is created, which also involves selecting the procurement method and the procurement agency.

"We also consider possible bilateral partners at that time. In many cases we have used NAMSA as the purchasing agency, but this is assessed individually for each particular project, considering our own

capabilities from among other aspects," Kjelsberg explained.

Tormod Sveen at NAMSA described the organisation's structure.

NAMSA is an executive agency for NAMSO, consisting of 27 nations, which means all of these are NATO countries with the exception of Albania. NAMSA, with a staff of about 1100 people, has its headquarters in Luxembourg along with a small department located in Paris; only 5 staff members are Norwegian. NAMSA also has warehousing facilities in Italy. NAMSA's vision is that we can achieve more when working together rather than working separately, which implies providing the best logistics support

possible for military forces at the lowest possible costs, meaning NAMSA is an important operator for suppliers.

"NAMSA's original mission was to support American armed forces in Europe, but today its most important task is to give support to NATO in Afghanistan. In Afghanistan we contribute by supplying materiel, maintenance, services and creating infrastructures for the armed forces," says Sveen, mentioning Kandahar Airport; the contract to build the airport, tower and runways is worth about 100 million Euros.

"We are also responsible for getting food to Kandahar Air Base, which has grown to become about the size of a small Norwegian city with approximately 20,000 inhabitants," says Sveen, adding that "Norway selected NAMSA to supply Norwegian soldiers with Norwegian food."

"But it is also important to underline that NAMSA does not purchase anything for its own purposes; its function is to procure materiel on behalf of the nations involved," says Sveen, adding that "NAMSA is a non-profit organisation."

where a container delivery was made but the container itself was built in China. The client refused to pay more money for non-Chinese containers, and we had to go to our executive board at NAMSO and request a deviation from this rule. We can make exceptions in these kinds of cases, but this requires that all 27 member-nations agree to the exception, so we do not approach the board very often with cases like this," Sveen concluded.

Rune Skreiberg is a Norwegian industrial contact for NAMSA, who could confirm the existence of constant pressure from the United States to run operations more efficiently.

"We also experience that many countries would prefer signing contracts with their country's own supplier and not using NAMSA. This is a contrast to projects directed by NAMSA where no country is discriminated against," Skreiberg explained.

Skreiberg also recommended that Norwegian Industry search for collaboration partners, saying that both Sweden and Finland are partner countries in NAMSA, and can therefore be suppliers.

"The most important thing for a supplier is to understand a client's needs," Skreiberg explained, "while customer care is not as important as it once was. Clients will generally purchase the things they need, regardless. And client's needs do not always mean that the best quality will be required."

"You will certainly impress a client by offering a container made of stainless steel, but you will not win the contract if the client only requested a normal container. Anything above and beyond that would just be added expense," Skreiberg said conclusion.

## From Industry Seminar, Day 2

Norway's industrial contact at NAMSA, Rune Skreiberg (left) and Senior adviser Tormod Sveen recommend Norwegian companies that want contracts with NAMSA to register their company in NAMSA's database in order to stay updated about procurement and project announcements at NAMSA, as well as to receive information about existing contracts. (Photo: Militærteknikk)



## Rules for procurement

NAMSA's rules for procurement are very flexible; the guiding principle is that all countries and military forces involved shall be given the same opportunity through an open process. However, there are some limitations. For example, suppliers are not permitted to have subcontractors from communist countries, which creates problems because a great deal of world production has moved to China.

"It is getting difficult nowadays to avoid products that are made in China. We had one example of this not long ago,