The Global Defense Marketplace

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# The Global Defense Marketplace

**Abstract**

A Changing Marketplace

• International acquisitions, mergers and partnerships are changing the landscape of the defense marketplace

• U.S. defense skilled workforce attrition is expected to reach crisis level in 2007

• Challenges and opportunities are greater than ever
The Industry Landscape

• U.S. defense budget is flat

• International armament market is large, but competition is very intense

• Aerospace/defense companies’ financial condition has improved, but high-growth commercial business continues to draw resources away

• Industry consolidation continues in U.S. and Europe, but with a distinct global character
European Missile Consolidation

BGT
Matra Défense
Matra BAe Dynamics
BAe Dynamics
LFK
Aerospatiale Missiles
Oto Melara
Finmeccanica
Alenia Marconi Systems
GEC Dynamics

Saab Dynamics
Celsius/Bofors

NFT - Kongsberg

Thomson CSF
Shorts Missiles

Oerlikon

Matra BAE Dynamics

Saab

Kongsberg

Thales

Oerlikon
A Changing Marketplace

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• Challenges and opportunities are greater than ever
U.S. Government/Industry
Common Challenges

**Government**
- Decreasing S&T $$$
- Workforce downsizing
- Workforce aging
- Over facilitization
- Decreasing competition

**Industry**
- Decreasing IR&D
- Consolidation
- Workforce aging
- Over facilitization
- Diminishing military suppliers
A Changing Marketplace

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Challenges in the Global Defense Market

- Protecting corporate technologies as alliances expand
- Tighter export control regulations
- Offset requirements/in-house work reduced
- Resistance within companies due to job security
- Keeping investors open-minded to global opportunities
- Repeated qualifications cost money and time
Repeated Qualifications

• To sell products internationally that are already in production for U.S. DoD:
  – Often must qualify components to buying country’s standards even if components/systems are:
    – A better design than contract requires
    – Already qualified to high standards through U.S. testing

• Repeated qualifications cost money and time
  – Qualification to U.S. standards could be a 2 1/2 year exercise
Opportunities in the Global Defense Market

- Market growth/business expansion
- Economic benefits to U.S. taxpayers, industry and defense
- Potential for long-term relationships with international industry partners
- Potential increased pool of skilled workers
- Potential for upgrades to flow back to U.S. customers
- Solutions/alternatives for DMS challenges
## Regional Market Penetration

**Year 2000**

<table>
<thead>
<tr>
<th>% of Company Sales</th>
<th>Domestic</th>
<th>International</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boeing</td>
<td>65</td>
<td>35</td>
</tr>
<tr>
<td>Lockheed</td>
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<td>Raytheon</td>
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<tr>
<td>BAE SYSTEMS</td>
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<td>70</td>
</tr>
<tr>
<td>Thales</td>
<td>64</td>
<td>36</td>
</tr>
</tbody>
</table>
Fighter Aircraft Market Domination

Fielded F-16s

Bahrain  
Belgium  
Denmark  
Egypt  
Greece  
Indonesia  
Israel  
Jordan  
Netherlands  
Norway  
Pakistan  
Portugal  
Singapore  
South Korea  
Taiwan  
Thailand  
UAE  
U.S.  
Venezuela
Opportunities in the Global Defense Market

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International Sales

- Each billion $ of international sales equals 22,000 U.S. jobs
- Potential 10 - 20% savings in U.S. spare parts
- Larger production runs lead to lower weapons/equipment costs
- Promotes cross-servicing, mutual support and cooperation when conflicts arise
Opportunities in the Global Defense Market

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Conclusion

The global defense marketplace is here to stay and presents industry with a challenge for every opportunity.