



The Global Defense Marketplace

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Report Documentation Page

Report Date 26032001	Report Type N/A	Dates Covered (from... to) -
Title and Subtitle The Global Defense Marketplace	Contract Number	
	Grant Number	
	Program Element Number	
Author(s) Forster, Bud	Project Number	
	Task Number	
	Work Unit Number	
Performing Organization Name(s) and Address(es) Northrop Grumman Corporation	Performing Organization Report Number	
Sponsoring/Monitoring Agency Name(s) and Address(es) NDIA (National Defense Industrial Association 2111 Wilson Blvd., Ste. 400 Arlington, VA 22201-3061	Sponsor/Monitor's Acronym(s)	
	Sponsor/Monitor's Report Number(s)	
Distribution/Availability Statement Approved for public release, distribution unlimited		
Supplementary Notes Proceedings from National Summit on U.S. Defense Policy: Acquisition, Research, Test and Evaluation, 26-30 March 2001 sponsored by NDIA.		
Abstract		
Subject Terms		
Report Classification unclassified	Classification of this page unclassified	
Classification of Abstract unclassified	Limitation of Abstract UU	
Number of Pages 18		

A Changing Marketplace



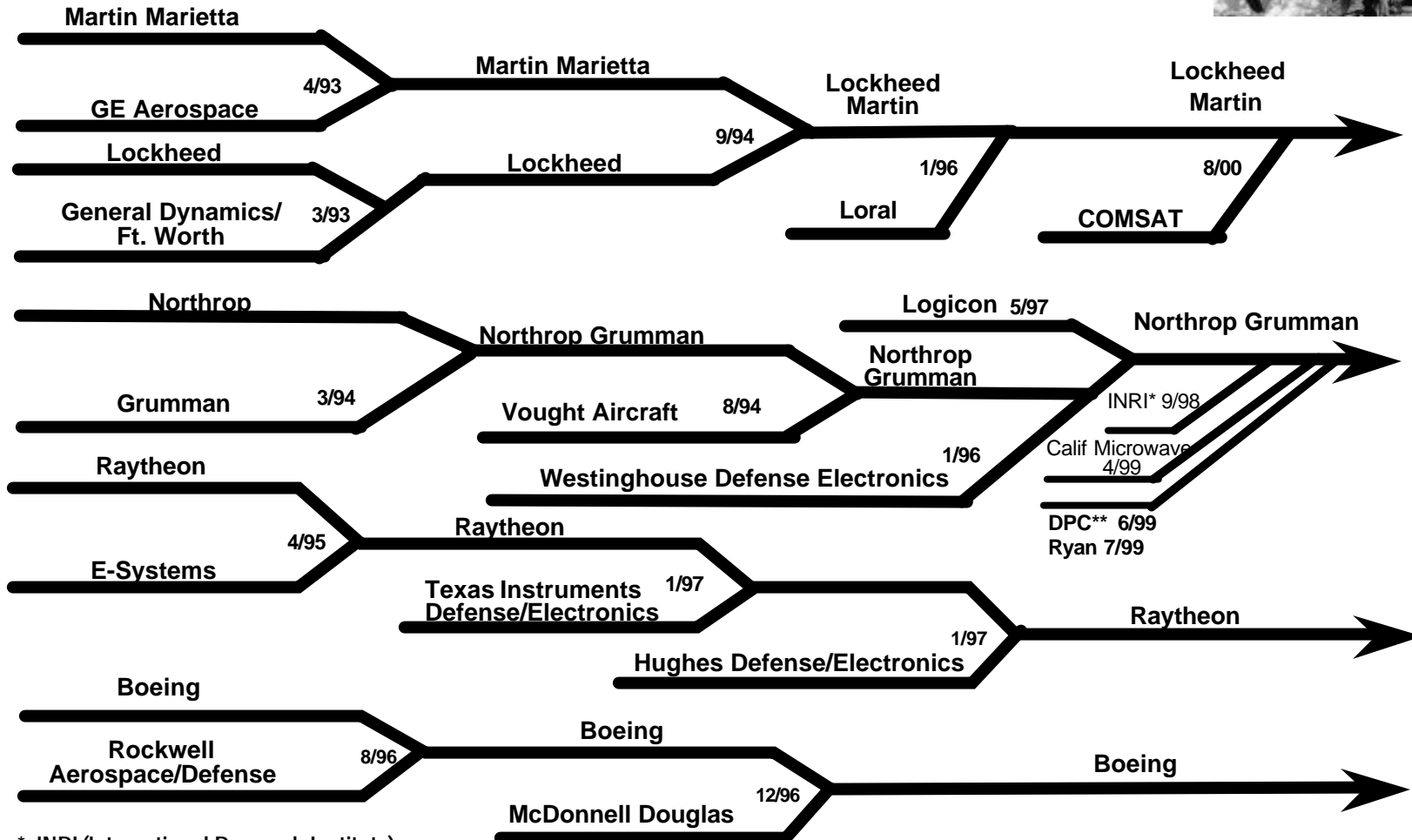
- **International acquisitions, mergers and partnerships are changing the landscape of the defense marketplace**
- **U.S. defense skilled workforce attrition is expected to reach crisis level in 2007**
- **Challenges and opportunities are greater than ever**

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**

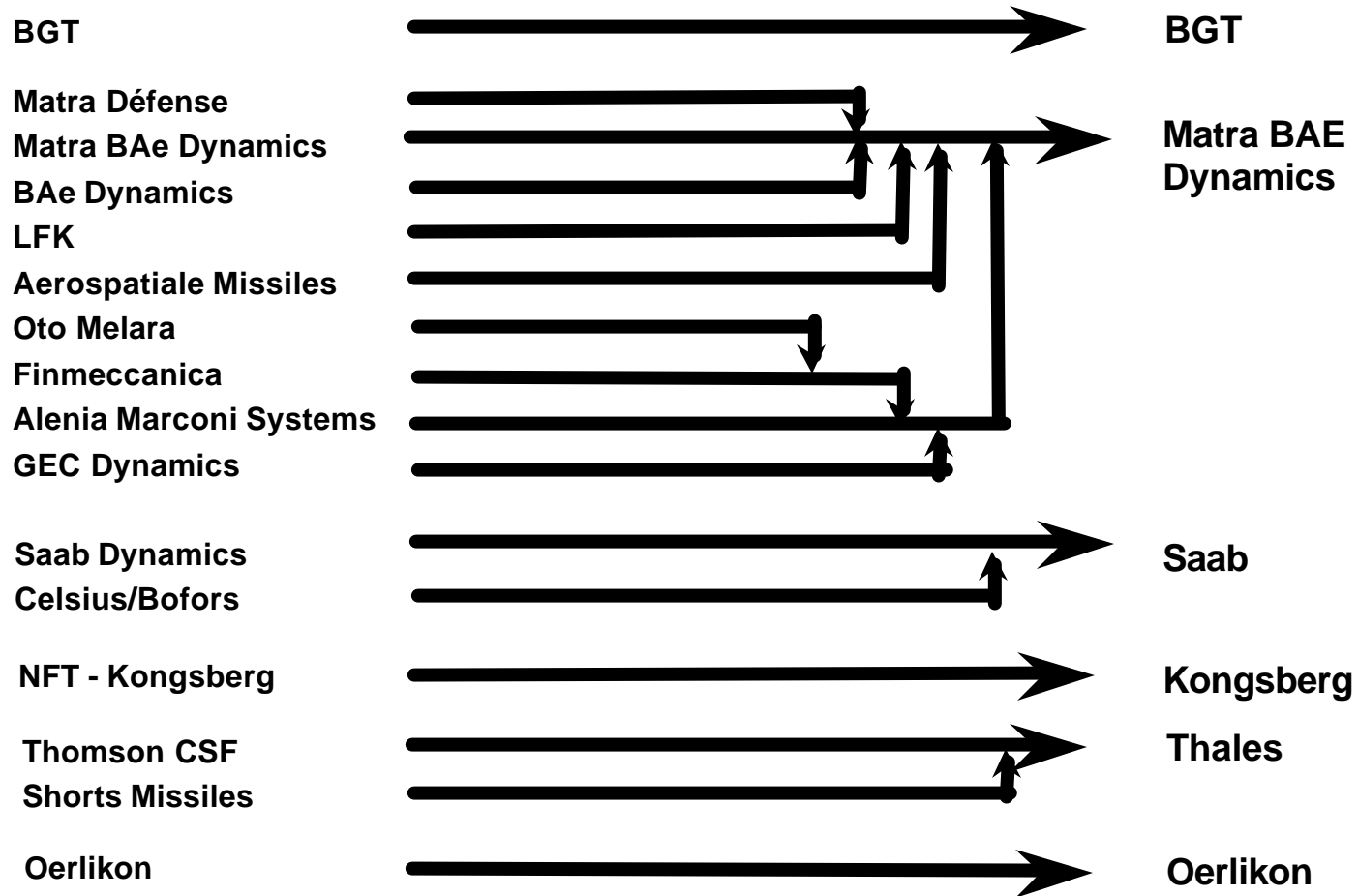
U.S. Industry Consolidation



* INRI (International Research Institute)

** DPC (Data Procurement Corp.)

European Missile Consolidation



A Changing Marketplace



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U.S. Government/Industry **Common Challenges**

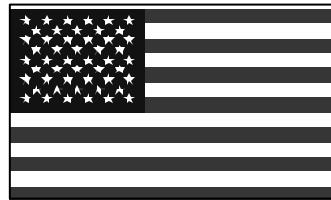


Government

- **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



% of Company Sales

	Domestic	International
Boeing	65	35
Lockheed	70	30
Raytheon	70	30
EADS	36	64
BAE SYSTEMS	30	70
Thales	64	36

Fighter Aircraft Market Domination




 Fielded F-16s

Fighter Aircraft Market Domination



 Fielded F-16s

 Fielded Mirages

 Combined F-16s and Mirages

Opportunities in the Global Defense Market

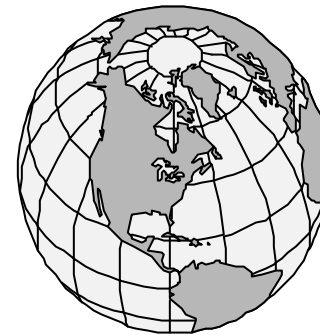


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International Sales



- **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**



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Conclusion



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