

THE ECONOMIC CLUB

O F W A S H I N G T O N, D. C.

**Excerpts from the Signature Event featuring Marilyn A. Hewson,
Chairman, President and Chief Executive Officer, Lockheed Martin
Corporation**

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“We’re certainly encouraged by the fact that our country is now spending more on defense. If you look back over the last few years, we’re playing catchup in a large way. That has impacted not only *[our]* industry, but it’s impacted our customers. If you look at the Department of Defense and the challenges that they’ve had with the budget caps and the cutback on spending, the modernization, the recapitalization of equipment has not been at the level it needs to be. So today, we’re in a catchup mode in my view. And we certainly want to maintain our technological superiority over our adversaries or over potential adversaries.”

“[U]nfortunately, *[the negative]* image *[that the general public often has of defense companies]* is something that we see for large corporations and large institutions in general today. And it’s something that we face and have a dialogue around, of how do we communicate to the American people what large corporations and what large institutions do? From a defense contractor standpoint, what’s different for us is that things are much more transparent. We’re no different than *[most other]* Fortune 500 – or Fortune 100 companies.. We’re investing in the communities where we work and live. We’re spending a lot on philanthropy. We’re bringing a lot of economic growth... [Y]ou mentioned our \$51 billion in sales. You think about the jobs we *[provide]*, what it does for the economy and what we invest in STEM education.”

“[W]hen you put it in perspective... the last lot that we negotiated *[for the]* F-35A, which is your conventional variant of the aircraft, was priced at \$94.3 million. And we’re on a path to drive that down to \$80 million by 2020... Think about what you pay for that. [T]hink about the most sophisticated jet fighter in the world that might cost \$80 million. I mean, that’s pretty remarkable in my mind. It is the most advanced fighter in the world. It is stealth. It has sensor fusion. And not only is it a game-changer in terms of providing air superiority, but it also can communicate with all assets on the battlefield and makes them better. So, it is basically a force multiplier. It’s a fabulous aircraft.”

“*[Lockheed Martin does not]* sell direct to any country. The *[international]* program was started out with eight international partners who put money in up front for the development and helped with the requirements, so that you could get the economies of scale, the economies of commonality, you can inter-operate together with those countries. We’ve had some other countries join in. Israel, South Korea and Japan were security cooperation partners. There are other countries around the world that are very interested in it, like Belgium, and Finland, and Canada and others that haven’t signed up yet for the aircraft. But it is not a decision by Lockheed Martin to sell that aircraft. It is really a technology-released decision on the part of the U.S. government.”

“[My] typical week is kind of tough to say... But I would say somewhere between 60 to 70 percent of my time is with the strategy of the business, the customers, and engagement around the world, traveling around the world on the customer side of the business. Because it’s important, in my role, to be out meeting with not only our congressional leaders and our government leaders, to make sure we’re aligned

with what their needs are and their priorities, but I travel a lot outside of the United States. Thirty percent of our business is outside of the United States with governments around the world.”

[On being voted #22 on Forbes’ 2017 Most Powerful Women in the World list]: “...[T]hat’s not something I focus *[on]* – there’s lots of lists. It really comes down to having the privilege of leading a national asset and a company that’s doing some of the most important and interesting work in the world.”

“...[L]ike any team you come into, you have to establish your credibility, recognizing that I was a different gender, maybe the first moment I was different in that sense. But after that, once you’re contributing and you’re a part of the team, it was no longer a factor, for me, at least, and through my career. But what I’ll tell you is really positive is that today 22 percent of our leaders are women, 24 or 25 percent of our workforce are women. [I]t’s no longer... only one woman in the room. We have many women leaders in the room... [W]e’ve come a long way on the pipeline. Back 35 years ago, there weren’t as many women coming out of engineering and other professions to come into the workforce, just as the case was for our customer. But you look at our customer today, look at our military services, how many women are involved... women are in uniform and in leadership positions... [W]e’re always working on that pipeline to get more women.”

“... [I]n my view *[the intent of]* tax reform was to make us more competitive on the global stage. So everything about what we’re doing, the savings that comes with the reduced corporate tax rate for us, is around our sustained long-term growth. That’s the area that we’re focused on, augmenting long-term growth and being more competitive with the products that we have. We’ve already committed that this year we’ve increased our money toward research and development and capital expenditures by another \$200 million. [T]his year we’re going to spend about \$1.2 billion on R&D for our business.

... [W]e’re increasing what we provide *[to our employees]* in terms of training and education. We just recently announced an increase in the tuition reimbursement for them, so that they can get additional education. We’re going beyond four-year colleges *[and]* into special courses to certifications, so broadening that for reskilling to deal with the changes in technology that are happening... We’re giving more to STEM education initiatives from a philanthropy standpoint... [T]hat’s an important responsibility for us.”

“*[The potential steel and aluminum tariffs discussed by the President will not have]* a direct impact on us as a company. But there could be a significant impact on our supply chain, because they build the components that go into the products that we produce, which means they’re probably buying raw materials, aluminum and steel... If they’re going to be buying them outside of the United States that has a tariff on them, that could increase the cost of our products. And so I’m concerned about that. What I’m hopeful of, as we look at these tariffs, *[is]* that the country looks at being more targeted in the way that they’re applied. Do they need to be across the board ... particularly since we rely a lot on countries to be

our partners and our allies in the way that we address the global security challenges? Partners are also trading partners. And I think that whole trust and partnership is an important element.”

“*[Artificial intelligence is]* a very important area that we’re investing in. I mentioned hypersonics *[earlier]*, and laser weapons and autonomy and artificial intelligence are all areas for us that we think our customers are looking for solutions to use that technology... *[W]*e’re working on a helicopter that will be unmanned out of our Sikorsky operation... *[E]*ven in the cockpit of our aircraft, they’re using artificial intelligence by fusing information in such a way that the pilot doesn’t have to *[make split-second decisions]*... the human mind just can’t move at the same speed as what you can get through that computing power... And we have such things as collision avoidance... *[E]*ven on our F-16s, and we’ll be putting this on our F-35, we have technology there through artificial intelligence that if a pilot doesn’t realize that they’re about ready to hit the ground, this aircraft will take control and avoid... *[T]*hat’s just a few examples of how we apply the artificial intelligence.”

“*[Cyber warfare]* is a constant threat that a company like ours and many companies have in the U.S., of other countries trying to get at our secrets... Lockheed Martin *[has]* been involved in protecting our systems and governance systems for many, many years – long before the term cyber was even coined. It’s an important element of business for us. And we take it very seriously, because we know that we are a target, and government customers are a target... *[W]*e’ve invested a lot in the technologies to protect that... *[T]*hese threats are advanced and they’re asymmetric, and they’re constantly changing. And it’s really important for us to stay on top of that and keep investing in it... *[A]*nother area that’s really important is that we have good information sharing – that if we see a threat, we let our colleagues or other companies know about that. And we’ve done that for many years at the defense industry, but now it’s being broadened more across other industries.”

