Lockheed Martin’s Economic Impact in Australia

December 2020
Lockheed Martin’s operations in Australia have generated significant economic benefits

Benefits to the economy and sovereign capability

- 6,318 jobs
- $542M contributed to Australian GDP in 2019, comprising $200M of exports
- $310M spent on direct employment
- $32M spent on research
- $2M spent on STEM initiatives
- 2019 of which 70% was spent across 675 local suppliers

Benefits to industry and regional communities

- $2.7B of total Australian industry contract value with over 50 companies having directly shared in contracts
- $409M spent on the Australian F-35 supply chain in 2019
- 460+ jobs directly supported across the maritime enterprise, contributing to Royal Australian Navy capabilities

Benefits to knowledge and innovation

- 17 university partnerships across Australia, doing cutting-edge research including hypersonics, artificial intelligence & machine learning, space situational awareness & quantum systems
- 10% of the workforce across seven early career pathways
- 100+ export contracts

Note: The F-35 supply chain spend by Lockheed Martin in 2019 includes Lockheed Martin production and Lockheed Martin Australia sovereign sustainment figures.
Executive summary

The Australian Government’s 2020 Defence Strategic Update outlined that Australia’s strategic environment had deteriorated and the Australian Defence Force (ADF) needed to increase its sovereign capabilities and deploy more cutting-edge technologies to operate in a more contested environment. The COVID-19 pandemic saw the increasing importance of economic security through its subsequent impacts on human life, national economies and supply chains. In this challenging strategic and economic environment, the Australian Government has rightfully high expectations of industry – especially major defence contractors (‘primes’).

AlphaBeta’s analysis of Lockheed Martin Australia (LMA)’s economic impact shows that with a workforce of over 1,100, LMA has delivered significant economic benefits to Australia. In 2019, LMA contributed $542M to the Australian gross domestic product (GDP) and supported over 6,300 jobs. Supply chain spending has doubled to $697M since 2017 supporting over 675 local suppliers, of which 70% are small and medium enterprises (SMEs). The economic impact is significant as every $1 of output generated by LMA generates an additional $1.70 of indirect and induced impact to the economy.

AlphaBeta’s analysis shows how LMA has been building next generation sovereign capabilities in Australia, from research to production, sustainment, and exports. LMA’s operations have generated significant support for Australian industry capability, sovereign capability development, job creation, workforce skilling, and investment in research and development (R&D). Throughout the pandemic, LMA has continued to grow its Australian workforce, adapted to ensure that defence supply chains have not been disrupted and supported SMEs by accelerating payment times. The Attack class submarine combat system workforce grew to over 220 in 2020, which is establishing Australia’s capability to work with SMEs and academia in developing software and hardware needed for the future submarines. LMA has also developed advanced combat system knowledge and skills in Australia, such that the world’s first deep maintenance and upgrade of the Aegis combat system and advanced radar for the Royal Australian Navy’s Hobart Class were carried out in Australia independently.

Australian defence companies entering the global supply chain of Lockheed Martin’s F-35 Joint Strike Fighter program is significant, with $2.7B of total Australian industry contract value and over 50 companies have directly shared in contracts. Beyond the F-35, LMA has worked with SMEs to integrate them into its global supply chain, fostering export and business growth.

AlphaBeta’s economic impact study has been conducted by measuring the direct, indirect, and induced economic impacts of LMA’s operations and supply chain. LMA’s financial and employment data was used to capture the company’s direct contribution to the Australian economy. Using detailed supply chain procurement data, AlphaBeta has been able to examine the degree of impact LMA has on each of its suppliers and measure LMA’s indirect economic contribution. Lastly, the induced impact of LMA’s employee spending was modelled using Australian Bureau of Statistics (ABS) input-output tables.

Note: Lockheed Martin Australia, Lockheed Martin Corporation, Lockheed Martin Global and Sikorsky Aircraft Australia operations in Australia are collectively referred to as Lockheed Martin Australia (LMA) in this report.
Lockheed Martin Australia is making a leading contribution to Australia’s defence capabilities

Lockheed Martin spent $697M in 2019 to support its extensive and diverse domestic supply chain and generated $310M of indirect impact

Lockheed Martin generated $542M of economic impact in Australia in 2019

Lockheed Martin spent $497M in 2019 to support its extensive and diverse domestic supply chain and generated $110M of indirect impact

Appendix
LOCKHEED MARTIN AUSTRALIA IS MAKING A LEADING CONTRIBUTION TO AUSTRALIA’S DEFENCE CAPABILITIES
Lockheed Martin is one of the world’s leading defence firms, and a strong contributor to building Australia’s defence capabilities to face the threats of the future across all domains.

Lockheed Martin Australia is engaged in the development, integration and sustainment of advanced technology systems, products and services across the space, air, land, sea and cyber domains.

LMA’s diverse programs form a critical backbone of the nation’s current and future defence capabilities.

In addition to providing leading edge capabilities to the ADF, LMA’s presence generates Australian jobs in advanced manufacturing and high technology industries, and engages 375 local Australian companies in its supply chains.

LMA also invests in partnerships with Australia’s research and industry communities to support its global supply chains, providing opportunities for technology transfer, innovation, local skilled jobs and sustainable business growth. Case studies in this report show how LMA is a partner for regional Australia and delivering opportunities for Australians in regional centres to develop skills in high-end industry roles including the development of advanced technologies and sustainment.

LMA invests in local communities, veteran support organisations as well as STEM-focused initiatives to create opportunities for thousands of Australians to enjoy a better future. Through its vibrant community engagement program, LMA has established long-standing relationships with not-for-profit organisations of national significance including the Australian War Memorial and the National Youth Science Forum.

EXHIBIT 1
Lockheed Martin’s diverse programs in Australia generate a sovereign capability edge

Lockheed Martin Australia delivers next generation technologies to equip the Australian Defence Force to face the threats of the future and advance Australia’s sovereign capability.

Lockheed Martin Australia delivers leading capabilities in Aeronautics, Rotary and Mission Systems (RMS), Space, Missiles and Fire Control (M&FC), and through the Science, Technology, Engineering Leadership and Research Laboratory (STELaRLab). This includes key programs such as the F-35 Joint Strike Fighter, the Future Submarine Combat System, MH-60R sustainment, and Joint and Air training solutions for the Royal Australian Air Force.

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Aeronautics
Missiles and Fire Control
Space
Rotary and Mission Systems
STELaRLab

Source: Lockheed Martin Australia
* Image credit: Royal Australian Air Force
+ Image credit: Australian Department of Defence
Lockheed Martin Australia delivers leading-edge capabilities that support Australia’s security and national interests

Lockheed Martin Australia delivers leading-edge capabilities in the areas of air superiority, aircraft sustainment, maritime systems, guided systems, energy and specialised products, space, C6ISR and R&D and training.

LMA is delivering the solutions of today and defining the solutions of tomorrow.

LMA’s programs are integral to Australia’s current and future defence capabilities including Next Generation Pilot Training, Combat Systems Integration, Rotary Wing Systems and Sustainment, 5th Generation Air Combat Capability, and Surveillance across the air, sea, land and space domains.

As a 5th Generation design pioneer, LMA has the ‘system of systems’ engineering and integration expertise required to sustain the advanced technology systems, products and services critical for delivering a capability edge to the ADF.

LMA delivers and supports the ongoing sustainment of ADF fixed-wing and rotary-wing aircraft capabilities. LMA is leading the delivery of an integrated training solution tailored for all future pilots for the Royal Australian Air Force, Royal Australian Navy, and the Australian Army.

The Space, C6ISR and R&D capability offers next generation technologies that enable a diverse set of missions across various domains.

EXHIBIT 2
Lockheed Martin Australia delivers cutting-edge capabilities in the areas of air superiority, aircraft sustainment, maritime systems, guided systems, energy and specialised products, space, C6ISR and R&D and training

### Air Superiority
The F-35 5th generation stealth fighter combining speed, agility, fused sensor information & network-enabled operations

### Aircraft Sustainment
Delivering integrated fleet sustainment and support for aircraft

### Maritime Systems
Cutting-edge capabilities for surface & undersea warfare

### Guided Systems, Energy & Specialist Products
Leading provider of superior guided systems, sensors, energy & services

### Space, C6ISR and R&D
Resilient next generation technologies enabling a diverse set of missions, and a dedicated national R&D operations centre in STELaRLab

### Training
Innovative Joint and Air training solutions delivering next generation training to ADF personnel
Case Study 1
Delivering next generation capabilities: maritime combat systems

Lockheed Martin Australia is leading the delivery of next generation capabilities that equip the Australian Defence Force to operate in the more contested strategic environment of the future. Two of these key capabilities include:

Future Submarine Program

Lockheed Martin Australia is the Commonwealth-selected Combat Systems Integrator (CSI) and Design Authority for Australia’s Future Submarine Program combat system. This program is responsible for designing and integrating sensors and processing to deliver and maintain a regionally superior submarine capability.

LMA has a dedicated, highly-skilled combat system integration workforce which reached over 220 people in June 2020.

Between 2018 and 2020, the CSI has recruited a total of 36 graduates and undergraduates, and has sponsored three indigenous electronics apprentices under LMA-sponsored programs.

Major sovereign industry achievements include transferring to Australian industry the know-how to develop Attack class combat system hardware and software. The recently established in-house design specification capability has enabled LMA to engage Australian industry to manufacture specialised combat system enclosure prototypes.

LMA has established a Classified Combat Systems Laboratory and capability in South Australia, and invests in ongoing R&D with Australian SMEs and academia.

Aegis Combat System

Aegis is the world’s most advanced integrated combat system. LMA is supporting Australia to become the largest operator of Aegis-enabled warships outside the US, delivering the most advanced maritime warfighting capability for the ADF and seamless interoperability with the United States (US).

The Aegis program has 50 employees deployed in South Australia and New South Wales (NSW). LMA has invested approximately $1M in upskilling Australians on the Aegis combat system through training, knowledge transfer and mentoring.

LMA has also invested significantly in building the breadth and depth of the Aegis combat system workforce, with specialist courses and mentoring programs in Australia and the US, growing high-end skills including computer network, radar, engineering and logistics.

LMA’s stewardship of the Aegis program is underpinned by a commitment to developing sovereign capability. LMA’s sovereign workforce in Australia is undertaking upgrades of Aegis computer systems aboard Hobart Class Destroyers, and deep-level maintenance and upgrade of the high-tech 3D phased array radar – the first time such upgrades have been performed outside the US.
Lockheed Martin Australia has a strong presence in 11 locations across the nation

Lockheed Martin Australia directly employs 1,164 staff in 2020 in Australia across every mainland state and territory. This workforce is spread across 11 locations, with the South Australia operations making up the largest share (40%) of the workforce, followed by New South Wales (35%) and Victoria (10%).

LMA employs Australians in a variety of roles that support the delivery, integration and sustainment of its advanced technology solutions.

LMA’s maritime enterprise workforce consists of over 400 personnel, predominantly based in South Australia. This includes a workforce of more than 220 on the Attack Class Submarine Program, with over 180 engineers and technicians engaged.

LMA is committed to creating opportunities for high-skilled, entry level roles. LMA offers seven early career pathways in Australia, including apprenticeships, internships, trainee programs, and the award-winning Graduate Development program. Collectively, these programs employ 133 Early Career employees, or over 10% of LMA’s workforce.

EXHIBIT 3
Lockheed Martin Australia has 1,164 employees across Australia, with the largest proportion of their workforce in South Australia and NSW.
Lockheed Martin’s Australian workforce has grown significantly since 2017

Lockheed Martin Australia has grown its workforce by 28% between 2017-2020, from 910 people to 1,164 people.

LMA employs personnel across its various capability areas, highlighting the diversity in skills and training across its Australian operations. LMA’s workforce contributes to Australia’s sovereign capabilities across all five domains.

Maritime Systems directly employed 275 in 2020 and experienced the largest workforce growth since 2017. This area has hired an additional 138 people, driven by the growth in the Attack Class Submarine Program, which reached over 220 employees in June 2020.

Air Superiority also grew between 2017 and 2019 and doubled to 167 employees in 2020. This growth is attributed to the F-35 Program at Williamtown in NSW.

Aircraft Sustainment contributed approximately 20% of LMA’s workforce in Australia, and comprises the C-130J Hercules and MH-60R Seahawk sustainment programs.

EXHIBIT 4
Lockheed Martin Australia’s workforce has grown by 28% since 2017 – Maritime Systems experienced the largest growth of 138 employees

LMA’s employees between 2017 and 2020

<table>
<thead>
<tr>
<th>Capability Area</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training</td>
<td>294</td>
<td>271</td>
<td>222</td>
<td>236</td>
</tr>
<tr>
<td>Air Superiority</td>
<td>235</td>
<td>208</td>
<td>229</td>
<td>236</td>
</tr>
<tr>
<td>Space, C6ISR and R&amp;D</td>
<td>179</td>
<td>205</td>
<td>245</td>
<td>275</td>
</tr>
<tr>
<td>Guided Systems, Energy &amp; Specialists products</td>
<td>137</td>
<td>205</td>
<td>269</td>
<td>292</td>
</tr>
<tr>
<td>Aircraft Sustainment</td>
<td>41</td>
<td>46</td>
<td>72</td>
<td>72</td>
</tr>
<tr>
<td>Maritime Systems</td>
<td>1,060</td>
<td>1,046</td>
<td>1,046</td>
<td>1,164</td>
</tr>
</tbody>
</table>

Note: 1. Maritime systems in the report differs to maritime enterprise in the infographic as it does not include employees and activities associated with the MH-60R Seahawk.
2. The 2020 headcount numbers are as of September 2020.
3. The numbers may not sum due to rounding.

Methodology note: Lockheed Martin’s programs have been mapped to capabilities to capture the diversity of Lockheed Martin’s activities in Australia. This mapping has been used throughout the analysis for this report.
Growing the sovereign workforce: MH-60R Seahawk Helicopter
sovereign sustainment

Sikorsky Australia, a Lockheed Martin company, provides advanced sovereign capability to Australia providing through-life support for the Navy’s MH-60R fleet, contributing $64M to the economy, and supporting 510 jobs in 2019.

Lockheed Martin completed the early delivery of 24 MH-60R helicopters for the Royal Australian Navy (RAN) in 2016 and is sustaining this fleet of cutting-edge maritime helicopters at Albatross Aviation Technology Park in Nowra, Lockheed Martin’s purpose-built Maintenance & Logistics Support facility.

Through-life support services
LMA, through Sikorsky Australia, supports the RAN’s MH-60R fleet with the delivery of Through Life Support logistics services to sustain peak flight readiness for the duration of the fleet’s lifespan. Sikorsky Australia was awarded $200M in 2020 for a new 5-year sustainment contract based on its exemplary Australian industry capability and sustainment partner track record, creating in excess of 40 new positions. This demonstrates Sikorsky Australia’s strong mission to be a trusted partner to enhance operational capability and mission readiness for the ADF.

Economic benefits
Sikorsky Australia’s involvement in the MH-60R program has generated $64M of total economic impact, with 8% ($5M) of that impact driven by Sikorsky Australia’s supply chain spending across 381 suppliers. The MH-60R sustainment program contributed to 10% of Sikorsky Australia’s supply chain spending in Nowra and the Shoalhaven region, supporting 30 local suppliers, of which 60% (18) are SMEs.

Sikorsky Australia has also spent $57M in capital expenditure at their Nowra facility since 2014.

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LOCKHEED MARTIN GENERATED $542M OF ECONOMIC IMPACT IN AUSTRALIA IN 2019
Lockheed Martin generated $542M of total economic impact and supported 6,318 employees in 2019

Activities in Australia contributed $542M to the Australian economy in 2019. LMA’s own operational activity and employment contributed 37% ($200M) in direct economic impact. Most of this direct impact is derived from LMA’s employment, with $138M paid in wages to its employees in 2019.

For every $1 of value-add generated by LMA, it also generates an additional $1.7 of indirect and induced value-add to the economy. A further $32M of value-add was generated from the induced impact of the wages paid to LMA employees in Australia. LMA’s supply chain spend contributed 57% ($310M) of the total economic impact. Over $697M was spent on Australian businesses in 2019.

In addition to the 1,164 people LMA directly employs, it supports an additional 5,154 jobs through its supply chain expenditure and employee spending.

Methodology note: The analysis focuses on the impact of LMA’s activities in calendar year 2019, as this is the latest full year of financial and supplier spend data that is currently available. We have used a three-step approach to measure LMA’s economic benefits to Australia: direct, indirect, and induced.

EXHIBIT 5
A further $1.7 in value-add is generated for every $1 directly generated

Lockheed Martin Australia’s economic impact in Australia and employees supported in 2019

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**EXHIBIT 6**
Lockheed Martin Australia’s impacts are greatest in New South Wales, Victoria and South Australia, primarily driven by local supplier expenditure

<table>
<thead>
<tr>
<th>State</th>
<th>Total Impact ($)</th>
<th>Jobs Supported</th>
<th>Suppliers Providing Goods &amp; Services ($)</th>
<th>SME Suppliers</th>
<th>University Partnerships</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSW</td>
<td>161M</td>
<td>1,908</td>
<td>243</td>
<td>70%</td>
<td>6</td>
</tr>
<tr>
<td>VIC</td>
<td>317M</td>
<td>2,115</td>
<td>120</td>
<td>72%</td>
<td>4</td>
</tr>
<tr>
<td>QLD</td>
<td>97M</td>
<td>743</td>
<td>153</td>
<td>65%</td>
<td>2</td>
</tr>
<tr>
<td>QLD</td>
<td>5.9M</td>
<td>213</td>
<td>15</td>
<td>53%</td>
<td>1</td>
</tr>
<tr>
<td>ACT</td>
<td>6.1M</td>
<td>72</td>
<td>45</td>
<td>68%</td>
<td>2</td>
</tr>
<tr>
<td>NT</td>
<td>61M</td>
<td>1,232</td>
<td>79</td>
<td>67%</td>
<td>2</td>
</tr>
<tr>
<td>WA</td>
<td>1M</td>
<td>50</td>
<td>15</td>
<td>50%</td>
<td>1</td>
</tr>
<tr>
<td>SA</td>
<td>6M</td>
<td>72</td>
<td>45</td>
<td>68%</td>
<td>2</td>
</tr>
</tbody>
</table>

Note: Numbers may not sum due to rounding. Lockheed Martin’s Gross Operating Surplus has been split by State/Territory based on the proportion of employees in the region. Source: Lockheed Martin Australia, AlphaBeta analysis.
Putting Australia at the leading edge: R&D and Innovation

Lockheed Martin Australia has invested over $39M in Australian R&D since 2012 and supported research partnerships with 17 universities across 5 states and territories. This investment is supporting Australian innovation and sovereign capability.

Across every domain – across air, space, land, sea and cyber – LMA works with government, research and industry partners to solve complex technical challenges and provide Australians with opportunities for technology transfer, innovation, engineering leadership and sustainable business growth. LMA leverages its extensive expertise and knowledge in translating R&D into products and commercial opportunities and creating scale.

Since 2012, Lockheed Martin Australia’s STELaRLab, Business Areas and the Office of Australian Industrial Participation (OAIP), have invested over $39M in R&D, of which $10M represented export R&D contracts awarded to industry partners via the OAIP.

17 university partnerships
LMA supports research programs with 17 universities across Australia. LMA is also the Foundational partner to the University of Adelaide’s Australian Institute for Machine Learning (AIML) - the largest computer vision and machine learning group in Australia and ranked 3rd in its field globally.

FireOPAL
FireOPAL is an Australian innovation in Space Domain Awareness jointly developed by Lockheed Martin Australia and the Space Science and Technology Centre at Curtin University. The system allows for the cost effective tracking of a wide variety of space objects, including satellites, providing increased coverage at a lower cost than current technologies. In collaboration with Curtin University, STELaRLab’s advanced processing results in significantly more detections than standard algorithms.

30 Honours, Masters and PhD students
LMA has supported a total of 30 students since 2017, of which 2 have graduated and are working for LMA. LMA provides support through $125,000 of scholarships and sponsorships to support undergraduates and approximately 15 Honours, Masters, and PhD students annually.

CASE STUDY 3
Lockheed Martin Australia has invested over $39M in Australian R&D since 2012 and supported research partnerships with 17 universities

The Science, Technology, Engineering Leadership and Research Laboratory (STELaRLab)

STELaRLab is Lockheed Martin’s first multidisciplinary R&D facility located outside the US, and is the coordination hub for Lockheed Martin’s Australian R&D efforts.

Lockheed Martin’s Australian research activities cover a broad range of next generation capabilities including hypersonics, quantum systems, machine learning & artificial intelligence, and command, control, communications, computing, intelligence, surveillance and reconnaissance. STELaRLab is aiming to generate 80 advanced technology R&D jobs over the next decade.

Melbourne
VIC

“Every day our Australian researchers are working in partnerships nationally and globally to solve the technological challenges that are critical to assuring Australia’s future national security interests.”
– Dr Tony Lindsay, Director, STELaRLab
The capability areas of Air Superiority, Aircraft Sustainment and Maritime Systems contribute the largest economic impact to Australia.

Air Superiority contributed 38% ($206M) of the total economic impact and supported 44% (2,743) Full Time Employees (FTEs), followed by Aircraft Sustainment (19%), and Maritime Systems (14%).

Driven by significant spend from the F-35 global supply chain, Air Superiority accounted for the largest portion of its total economic impact, supporting over 2,700 local jobs (2,500 FTE) in 2019. Aircraft Sustainment and Maritime Systems contributed $179M to the economy and supported close to 2,000 (1,900 FTE) jobs. Both capabilities make-up a large portion of LMA’s local workforce, and therefore their impact is driven by the direct wages paid to employees.

Training, Space, and Guided Systems contributed $157M to the economy. The local presence of these capability areas is fast-growing, with supplier spend across the three areas growing from $63M to $115M between 2017 and 2019.

EXHIBIT 7
Air Superiority generated the most economic impact in 2019

<table>
<thead>
<tr>
<th>Capability Area</th>
<th>Economic Impact (LHS)</th>
<th>Number of Employees Supported (RHS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Superiority</td>
<td>$206M</td>
<td>2,743</td>
</tr>
<tr>
<td>Aircraft Sustainment</td>
<td>$179M</td>
<td>1,900</td>
</tr>
<tr>
<td>Maritime Systems</td>
<td>$157M</td>
<td>1,090</td>
</tr>
<tr>
<td>Training</td>
<td>$77M</td>
<td>53</td>
</tr>
<tr>
<td>Space, C6ISR and R&amp;D</td>
<td>$102M</td>
<td>66</td>
</tr>
<tr>
<td>Guided Systems, Energy &amp; Specialists products</td>
<td>$206M</td>
<td>206</td>
</tr>
</tbody>
</table>

Source: Lockheed Martin Australia, AlphaBeta analysis
LOCKHEED MARTIN SPENT $697M IN 2019 TO SUPPORT ITS EXTENSIVE AND DIVERSE DOMESTIC SUPPLY CHAIN AND GENERATED $310M OF INDIRECT IMPACT
Between 2017 and 2019, spending on domestic suppliers doubled from $338M to $697M.

Lockheed Martin Australia has developed an extensive supply chain in Australia. Spend on Australian suppliers has grown 106% from $338M in 2017 to $697M in 2019.

Air Superiority and Sustainment are the largest capability areas, making up 75% ($520M) of the supplier spend in 2019, driven by the F-35, C-130J and MH-60R programs.

The F-35 global supply chain purchased $409M in goods and services from Australian business in 2019, growing from $154M in 2017.

Supplier spend in Maritime Systems has doubled since 2017, totalling $62M in 2019. This is driven by the significant progress in the Future Submarine and Aegis Combat System programs.

Space, Training and Guided Systems represent fast-growing capabilities in Australia, with supplier spend almost doubling from $43M in 2017 to $115M in 2019.

**Methodology note:** Total supplier spend has been calculated using individual transactions and contracts between 2017 and 2019 across all Australian suppliers.

---

**EXHIBIT 8**

Over half of the indirect impact is attributable to the F-35 global supply chain.

---

**Lockheed Martin’s local supplier spend per annum 2017 - 2019**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total annual spending</th>
<th>Growth by capability area (2017-2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$34M</td>
<td>+106%</td>
</tr>
<tr>
<td>2018</td>
<td>$31M</td>
<td>+52M</td>
</tr>
<tr>
<td>2019</td>
<td>$697M</td>
<td>+154M</td>
</tr>
</tbody>
</table>

**Guided Systems, Energy & Specialists products**
- 2017: $16M
- 2018: $111M
- 2019: $458M

**Training**
- 2017: $97M
- 2018: $29M
- 2019: $21M

**Space, C6ISR and R&D**
- 2017: $31M
- 2018: $47M
- 2019: $97M

**Maritime Systems**
- 2017: $154M
- 2018: $18M
- 2019: $250M

**Aircraft Sustainment**
- 2017: $154M
- 2018: $16M
- 2019: $162M

**Air Superiority**
- 2017: $162M
- 2018: $154M
- 2019: $91M

*Source*: ABS, Illion, Lockheed Martin Australia procurement and expenditure data, AlphaBeta analysis.

*Note*: Numbers may not sum due to rounding. The F-35 supply chain spending in 2019 includes Lockheed Martin production and Lockheed Martin Australia sovereign sustainment figures.
In 2019, $697M was spent on Australian suppliers, generating $310M in indirect economic impact in 2019

Supply chain spend of $697M on Australian suppliers in 2019 and generated $310M of indirect economic impact across its supply chain.

Air Superiority and Aircraft Sustainment contributed $231M to the Australia economy in indirect impact. They supported an additional 3,000+ jobs in across Australia.

It is estimated that every $1 spent on local suppliers generated $0.44 in indirect economic impact for the Australian economy. The returns on supplier spend vary across capability areas, with Aircraft Sustainment providing the greatest impact per dollar spent, generating $0.47 for each dollar spent by Lockheed Martin Australia in 2019. This results from the sustainment capability area utilising suppliers in industries that import less of their inputs than those in other capability areas.

EXHIBIT 9
Every $1 spent on Australian suppliers generated about $0.44 of additional in indirect economic benefit

Lockheed Martin’s indirect economic impact in Australia and employees supported in 2019

<table>
<thead>
<tr>
<th>Economic impact and number of employees supported</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guided Systems, Energy &amp; Specialists products</td>
</tr>
<tr>
<td>Training</td>
</tr>
<tr>
<td>Space, C6ISR and R&amp;D</td>
</tr>
<tr>
<td>Maritime Systems</td>
</tr>
<tr>
<td>Aircraft Sustainment</td>
</tr>
<tr>
<td>Air Superiority</td>
</tr>
<tr>
<td>Total economic impact</td>
</tr>
<tr>
<td>$310M</td>
</tr>
<tr>
<td>23</td>
</tr>
<tr>
<td>26</td>
</tr>
<tr>
<td>28</td>
</tr>
<tr>
<td>52</td>
</tr>
<tr>
<td>179</td>
</tr>
<tr>
<td>$4,152</td>
</tr>
<tr>
<td>312</td>
</tr>
<tr>
<td>385</td>
</tr>
<tr>
<td>375</td>
</tr>
<tr>
<td>641</td>
</tr>
<tr>
<td>2,432</td>
</tr>
</tbody>
</table>

Source: ABS, Illion, Lockheed Martin Australia procurement and expenditure data, AlphaBeta analysis.

EXHIBIT 9: Every $1 spent on Australian suppliers generated about $0.44 of additional in indirect economic benefit.
Creating opportunities for local firms: F-35 Joint Strike Fighter

Lockheed Martin designed the 5th Generation F-35 platform to ensure maximum cost-effectiveness over the life of the program by reducing maintenance costs and increasing aircraft availability.

Economic impact

In 2019, the F-35 global supply chain generated $206M of total economic impact, with 87% ($179M) of the impact driven by $409M in supply chain spending across 20+ suppliers. Thirty six percent ($147M) of this spending was on 11 SMEs.

As F-35 sustainment ramps up in the region, analysis suggests that supplier spend on sustainment can deliver higher returns in indirect economic impact per dollar spent. This is as a result of a greater proportion of spending going to local firms in the sustainment phase, as well as spending going to industries that generate greater value-add per dollar spent.1

Jobs supported

In 2019, the F-35 global supply chain spend and local sustainment efforts supported 2,400+ jobs in Australia. Half of these jobs are in NSW, followed by 22% in QLD and 17% in VIC. Lockheed Martin Australia has significantly grown its team at the Royal Australian Air Force’s Base in Williamtown, NSW, with more than 130 LMA staff now supporting the F-35 program at this location.

Over the life of the F-35 program, projections show that thousands of additional direct and indirect Australian defence industry jobs will be created, further boosting Australia’s economy and contributing to the development of skills and sovereign capability in Australia.

Industry participation & sovereign sustainment

Over the life of the program, the F-35 global supply chain has contracted over 50 Australian firms. Australia is 1 of 4 countries outside the US to be assigned the initial tranche of global F-35 component MRO&U and airframe and engine maintenance, supporting the growth of local defence industry capabilities.2

There are many of examples of local Australian companies growing their capabilities through the F-35 program and then expanding into other areas; these include companies such as Heat Treatment Australia, Quickstep Holdings, Varley Group, and Milski.

Lockheed Martin is the largest contributor in the Asia-Pacific region to the F-35 regional repair network and is prepared to support customers and industry partners as the program continues to expand and mature.

CASE STUDY 4

The F-35 global supply chain has created significant opportunities for local firms

Lockheed Martin’s F-35 program supported Heat Treatment Australia (HTA) to develop and advance its capabilities globally

Lockheed Martin’s F-35 Joint Strike Fighter program gave HTA, a specialist in thermal processing, the opportunity to provide vacuum brazing processes for F-35 aircraft delivered globally. This partnership helped HTA to grow from a one-person business in Brisbane to a 65-employee multinational organisation across Australia and the US.

Lockheed Martin’s DAIP also facilitated the accreditation of the HTA Los Angeles facility which now treats approximately 63,000 kg of processed metals per month for Australian companies for further machining and production.

“The F-35 program changed everything ... to give an idea of the extent of the transformation, our state-of-the-art facilities today are almost unrecognisable compared to the capabilities we had just 15 years ago.”

– Karen Stanton, Director, Heat Treatment Australia

Note: 1. The indirect impacts per dollar spent on sustainment and the value added in Australia is based on C-130J and MH-60R sustainment program spending.

2. MRO&U refers to Maintenance, Repair, Overhaul and Upgrade.
SMEs make up a significant portion of the supply chain, capturing over half of the total supplier spend between 2017-2019

1,149 Australian suppliers contracted between 2017-2019, 820 (71%) of which were SMEs.

SMEs make-up the majority of firms in the supply chain. SMEs captured $791M in spending between 2017-2019, accounting for 53% of Lockheed Martin’s total spend.

Of the 820 SME suppliers used between 2017-2019, 28% (230) of SMEs received contracts across three consecutive years. On average, the total value of these average SME’s contracts doubled within 3 years from $78,000 in 2017 to $162,000 in 2019. This represents 52% annual growth in the average firm contract value across 2017 and 2019.

The recurring use of SMEs is important to build sovereign industrial capability and to nurture innovation in Australia.

EXHIBIT 10
SMEs captured $791M (53%) of the domestic supply chain spending over 2017 - 2019

Cumulative unique suppliers and supplier spend

<table>
<thead>
<tr>
<th>Firms and $M, 2017 - 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large</td>
</tr>
<tr>
<td>Medium</td>
</tr>
<tr>
<td>Small (71%)</td>
</tr>
<tr>
<td>SMEs</td>
</tr>
<tr>
<td>319 (29%)</td>
</tr>
<tr>
<td>361</td>
</tr>
<tr>
<td>459 (60%)</td>
</tr>
<tr>
<td>$700</td>
</tr>
<tr>
<td>$646 (50%)</td>
</tr>
<tr>
<td>$791M (53%)</td>
</tr>
<tr>
<td>$345 (22%)</td>
</tr>
<tr>
<td>$1,491M</td>
</tr>
</tbody>
</table>

Note 1: The business size calculation is based on the ABS definition of business sizes in Australia. Small businesses are those that employ less than 20 people, medium businesses employ between 20-200 people, and large businesses employ over 200 people.

Source: Lockheed Martin Australia, ABS, and AlphaBeta analysis
Supply chain spend supported 4,152 jobs in 2019, of which 44% were in SMEs.

The Air Superiority capability area generated the largest indirect employment impact, supporting 59% (2,432) of supply chain jobs, followed by Aircraft Sustainment, Maritime Systems, Space, Training, and Guided Systems.

Air Superiority generated the largest impact because it had the largest supplier spend in 2019 of $409M driven by the F-35 program.

LMA has a strong commitment to SMEs across its capability areas, as 52% to 69% of the jobs supported are ascribed to SMEs.

Over 20% (830 jobs) of the indirect jobs supported are in regional areas, and nearly 60% (~500 jobs) of the indirect jobs supported in regional areas are in SMEs. Aircraft Sustainment indirectly supports nearly 200 jobs in SMEs in regional areas such as Nowra and Williamtown, driven by the F-35 and MH-60R program spend.

EXHIBIT 11
Air Superiority has the largest indirect impact on number of jobs, but Aircraft Sustainment has the largest share of SMEs.

<table>
<thead>
<tr>
<th>Supply chain jobs supported by capability area</th>
<th>Jobs supported (SME %); 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Superiority</td>
<td>2,432 31%</td>
</tr>
<tr>
<td>Aircraft Sustainment</td>
<td>161  89%</td>
</tr>
<tr>
<td>Maritime Systems</td>
<td>350  62%</td>
</tr>
<tr>
<td>Space, C6ISR and R&amp;D</td>
<td>312  59%</td>
</tr>
<tr>
<td>Training</td>
<td>21   52%</td>
</tr>
<tr>
<td>Guided Systems, Energy &amp; Specialist products</td>
<td></td>
</tr>
</tbody>
</table>

Jobs supported; 2019

Note: Small businesses are those that employ less than 20 people, medium businesses employ between 20-200 people, and large businesses employ over 200 people.

Source: Lockheed Martin Australia, AlphaBeta analysis.
Lockheed Martin Australia strongly supports SMEs in manufacturing—SMEs dominate 12 of the top 20 industries that LMA spent on in 2019.

Local SMEs earned $791M in contracts between 2017 and 2019. They dominated 4 out of 7 of the top manufacturing industries spent on in 2019, earning up to 100% of the industry spend in:

- Aircraft Manufacturing & Repair Services,
- Electrical Equipment Manufacturing,
- Communication Equipment Manufacturing, and
- Sheet Metal Manufacturing.

Key SMEs contracted include Ferra Engineering, Lovitt Technologies, and Schach RF. Lockheed Martin Australia’s enduring partnership and increasing supply chain spend also supports SMEs to grow and become larger companies, such as Marand Precision Engineering, which supplies the Engine Trailer and CTOL Vertical Tail components to the F-35 Program, and Quickstep which supplies more than 35 individual composite parts on each aircraft as well as all composite wing flaps for the C-130J.

An example of LMA’s support for local manufacturing can be seen in the case of Schach RF, a South Australian based SME. LMA collaborated with Schach RF to export its world-class high-powered amplifiers to the US, a central component for advanced high-frequency radar systems. It provided support through co-investment with the Commonwealth and Schach RF into next generation research, as well as assistance across areas such as quality process and systems engineering and integration.

LMA heavily contracted SMEs’ expertise. SMEs captured more than 50% of LMA’s spending across 12 of the top 20 industries contracted by LMA in 2019.

EXHIBIT 12
SMEs are heavily contracted in manufacturing and repair services

<table>
<thead>
<tr>
<th>Industry</th>
<th>SME %</th>
<th>Large %</th>
<th>Majority SME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machine Tool &amp; Parts Manufacturing</td>
<td>36.6%</td>
<td>63.4%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Management Advice &amp; Related Services</td>
<td>13.2%</td>
<td>86.8%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Aircraft Manufacturing &amp; Repair Services</td>
<td>17.9%</td>
<td>82.1%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Engineering Design &amp; Engineering Services</td>
<td>5.5%</td>
<td>94.5%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Auxiliary Finance &amp; Investment Services</td>
<td>0.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Professional &amp; Scientific Equipment Manufacturing</td>
<td>1.4%</td>
<td>98.6%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Computer System Design &amp; Related Services</td>
<td>1.4%</td>
<td>98.6%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Professional &amp; Scientific Goods Wholesaling</td>
<td>1.4%</td>
<td>98.6%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Water &amp; Sewerage Activities</td>
<td>1.4%</td>
<td>98.6%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Electrical &amp; Electronic Equipment Manufacturing</td>
<td>49.7%</td>
<td>50.3%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Repair &amp; Maintenance</td>
<td>98.7%</td>
<td>1.3%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Electrical Services</td>
<td>99.0%</td>
<td>1.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Carpentry &amp; Joinery</td>
<td>99.9%</td>
<td>0.1%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Plumbing Services</td>
<td>100.0%</td>
<td>0.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Sheet Metal Manufacturing</td>
<td>100.0%</td>
<td>0.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Freight Forwarding Services</td>
<td>0.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Railway Rolling Stock Manufacturing &amp; Repair Services</td>
<td>0.0%</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Note: 1. These categories may not reflect what LMA purchased from these firms. The categories used are part of the Australian and New Zealand Standard Industrial Classification (ANZSIC).
2. Machine Tool & Parts Manufacturing spending includes Marand Precision Engineering, which has grown from a SME into a Large firm.
Lockheed Martin’s Office of Australian Industrial Participation

Lockheed Martin’s OAIP has a dedicated team who research local industry capabilities and match these with identified business opportunities for Australian companies.

World-class capability

The OAIP matches world class solutions with business opportunities globally. The OAIP team helps to grow Australia’s sovereign industrial capability, nurture innovation, and take Australia to the world.

OAIP partnerships include Ferra Engineering, a complex aerospace structures company which transitioned its success on the F-35 program into the MH60-R program delivering weapons pylons. A second example is communications networks and electromagnetic spectrum operations leader Clearbox Systems who are the first international company to complete Lockheed Martin’s Mentor Protégé Program.

This covers HR processes, business ethics, product management, competitive intelligence and cyber security readiness to help ready suppliers to participate in supply chains.

CASE STUDY 5

Supporting Australian SMEs and R&D organisations to access global supply chains in defence and space

Lockheed Martin’s OAIP supported Ronson Gears to develop and showcase its capabilities globally and pivot from the automotive industry to defence and space.

In the last year, Lockheed Martin has signed five contracts with Victorian based SME Ronson Gears, making the precision gear manufacturer the first-ever Australian company to supply such components that will be carried into space.

This case study discusses the relationship created downstream supply chain opportunities for Ronson Gears’ partners, Heat Treatment Australia and Electromold Australia for hardening processes and magnetic particle inspection respectively, also creating new pathways for them into the space industry.

“Coming from the automotive industry, it was important that we prioritise innovation and invest in digital technologies that could enhance precision across our production processes. We’re proud to be the first Australian company to supply precision gear components that will be carried into space.”

– Gavin New, General Manager, Ronson Gears
Lockheed Martin develops sovereign industrial capability

Lockheed Martin Australia invests heavily in its partnerships with Australian industry and research communities to support its global supply chain, and this provides opportunities for technology transfer, innovation, skilled jobs and sustainable business growth for Australia.

LMA helps develop sovereign defence industry capabilities by providing access to, or control over, essential skills, technology, intellectual property, financial resources and infrastructure, including through mentoring and training programs.

LMA’s support for local firms through its OAIP researches local industry capabilities and matches them with identified business opportunities for Australian companies. This program enables innovative SMEs to develop their capacity and capabilities as they are key to advancing Australia’s sovereign capability (see further details in the case studies).

Two important ways that LMA develops long-term sovereign industrial capability in Australia are:
1. Nurturing next generation innovation: develop capability and business acumen in high-potential firms and;
2. Taking Australia to the world: integrating high-potential firms into global supply chains by developing their capability and business acumen, as well as providing access to export opportunities.

EXHIBIT 13
Lockheed Martin Australia nurtures innovation and takes Australian firms to the world in order to develop the industrial capability of innovative SMEs

Key Channels

Description of activity
- Lockheed Martin’s OAIP focusses on supporting SMEs and R&D organisations identify local and global supply chain opportunities.
- Once an innovative Australian SME with potential has been identified, the OAIP offers a range of mentoring and training opportunities to help the firm build the necessary resilience and capacity.
- The OAIP also assists in identifying commercialisation opportunities and pipelines for universities and researchers.
- When Australian companies compete for global supply chain contracts, they are not just competing with local companies but also with the rest of the world. The OAIP helps Australian businesses to be globally competitive and export ready.
- Lockheed Martin Australia also offers SME partner development programs through the Corporation’s Center for Leadership Excellence in Bethesda, Maryland in the US.
- These programs help SMEs with high-potential technological capabilities to understand how a large prime does business and adds rigour to their day-to-day program management better equipping them to work with the primes.

• Taking Australia to the world
• Nurturing next generation innovation
• Growing sovereign industrial capability

EXHIBIT 13
Lockheed Martin Australia nurtures innovation and takes Australian firms to the world in order to develop the industrial capability of innovative SMEs

Key Channels Description of activity

• The Office of Australian Industrial Participation (OAIP) focuses on supporting SMEs to undertake world class research and development for Lockheed Martin's local and global supply chains.
• Once an innovative Australian SME with potential has been identified, the OAIP offers a range of mentoring and training opportunities to help the firm build the necessary resilience and capacity.
• The OAIP also assists in identifying commercialisation opportunities and pipelines for universities and researchers.
• When Australian companies compete for global supply chain contracts, they are not just competing with local companies but also with the rest of the world. The OAIP helps Australian businesses to be globally competitive and export ready.
• Lockheed Martin Australia also offers SME partner development programs through the Corporation’s Center for Leadership Excellence in Bethesda, Maryland in the US.
• These programs help SMEs with high-potential technological capabilities to understand how a large prime does business and adds rigour to their day-to-day program management better equipping them to work with the primes.

• Taking Australia to the world
• Nurturing next generation innovation
• Growing sovereign industrial capability
APPENDIX
We have used a three-step approach to measure Lockheed Martin Australia’s benefits to Australia: direct; indirect; and induced.

**Direct impact**
- This is the impact resulting from Lockheed Martin Australia’s activities in Australia, such as manufacturing and sustaining the MH-60R helicopters.
- Direct impact is the sum of Lockheed Martin Australia’s gross operating surplus, measured through Earnings Before Interest, Tax, Depreciation, and Amortisation (EBITDA) and employee wages.

**Indirect ‘supply chain’ impact**
- Lockheed Martin Australia’s spend on domestic suppliers generates indirect economic impact.
- These suppliers purchase inputs from other industries, resulting in further indirect economic impact.
- Indirect impact is the weighted sum of the gross operating surplus and wages paid for all firms in Lockheed Martin Australia’s supply chain.

**Induced ‘consumption’ impact**
- As Lockheed Martin Australia’s employees spend their salaries in the community on industries like retail and health care, they create induced economic impacts.
- Induced impact is the weighted sum of the gross operating surplus and wages paid for all firms on which Lockheed Martin Australia’s employees spend their wages.

---

**Direct economic impact from Lockheed Martin’s operations**

**Definition**
- The direct economic impact is the Gross value-added (GVA) by Lockheed Martin’s activity in Australia.

**Key components**
- **Lockheed Martin’s Gross Operating Surplus (GOS)**
- **Wages paid to Lockheed Martin’s employees in Australia**

**Indirect economic impact from supply chain expenditure**

**Definition**
- The indirect economic impact is the Gross value-added (GVA) by Lockheed Martin Australia’s spend on domestic suppliers.

**Key components**
- **Supplier’s GOS**
- **Wages paid to Lockheed Martin’s employees in Australia**
- **Wages paid by supplier**
- **GOS of upstream industries**
- **Wages paid by upstream industries**

**Induced economic impact from employee expenditure**

**Definition**
- The induced economic impact is the Gross value-added (GVA) by the consumption spend of Lockheed Martin Australia’s employees.

**Key components**
- **OS of consumption industries**
- **Wages paid by Consumption industries**

---

Source: AlphaBeta analysis

Note: 1 Earnings before interest and taxes (EBIT) has been used as a proxy for Gross Operating Surplus.

Data sources used include ABS, Illion and Lockheed Martin procurement and expenditure data; missing data was imputed by combining data from multiple sources

<table>
<thead>
<tr>
<th>Spend, wages and EBIT</th>
<th>Lockheed Martin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>Imputed observations</td>
</tr>
<tr>
<td>Industry</td>
<td>All supplier and employment figures are based on Lockheed Martin payments data, no imputed observations</td>
</tr>
<tr>
<td>Supplier employee numbers</td>
<td>Where ANZSIC codes were missing, ANZSIC was assigned to firms based on a concordance of LM’s purchase categories and ANZSICs</td>
</tr>
<tr>
<td>Industry GVA and wages</td>
<td>ABS National Accounts were used to estimate the GVA attributable to Lockheed Martin supplier spend</td>
</tr>
</tbody>
</table>

Business size based on either actual or imputed employee numbers:
- Large: >200 employees
- Medium: 20-200 employees
- Small: <20 employees