

MANUFACTURING

NO TURBULENCE FOR LOCKHEED MARTIN

Phil Shaw is the chief executive of Lockheed Martin India, a US-based defence and aeronautics company that has had a presence here for more than 20 years' Edited excerpts

Hardnews Bureau Delhi

It has been little less than a year since Prime Minister Narendra Modi announced the 'Make In India' programme. How does Lockheed Martin view this scheme? Are you launching any new project?

Lockheed Martin is extremely positive about Prime Minister Modi's 'Make in India' campaign. We have already been engaged with Indian industry by manufacturing some of our key aerospace components in our joint venture with Tata Advanced Systems Limited in Hyderabad, and then shipping them overseas to the USA to be integrated into our C130J production line. Hence this initiative is in many ways an extension of what Lockheed Martin is already doing on the ground.

What impact has it had more generally?

The 'Make in India' initiative has re-energised all companies into re-evaluating their position and footprint on the ground in India, and I am sure it will have a positive end result for India, in terms of inward investment, job creation and economic growth. While we have an investment already which supports the government's initiative, we are continually looking at ways that we can expand our presence and

capabilities through the existing plant and through other partnerships. While we have nothing new to announce today, these evaluations and then negotiations take time to put in place. As we are committed to remain and support the needs of India, there will be plenty more activity to come.

The cornerstone of the 'Make in India' programme was to encourage manufacturing by improving the ease of doing business here. Do you see any marked change in the way the government interfaces with multinational companies that are trying to locate businesses in India? What else needs to be done?

Prime Minister Modi has continuously reiterated his government's commitment to 'Make in India'. He has stated that he did not want India to remain the number one importer of defence equipment and has promised to double the output of defence manufacturing in the country. Defence has been categorised as a major sector for the 'Make in India' campaign and the government is prioritising its goals for this sector in order to ensure that

Indian Air Force C-130J on its flight to India

the vision can translate into a reality. At his speech at the opening of Aero India

he also stated that he did not want to remain near the bottom of the World Bank's 'Ease of Doing Business' index, and his government was determined to drive India into the top fifty.

So has he made good on any of these promises?

It is evident that the government is working hard. Amongst many other things, they have appointed committees of experts in defence to look at the procurement procedure inside the MoD, they have removed a host of licensing requirements to try to make life easier for the Indian manufacturers to enter the defence and aerospace markets, and they have actively engaged Indian and foreign industry to get an insight into what issues slow down investment and in some circumstances make doing business in India a challenge.

What about the pace of these changes? We welcome these activities and find them an encouraging signal that things are moving in the right direction to make a more investment-friendly environment

some of the issues industries face will be addressed to ensure that doing business in India will become easier, and that therefore India will benefit through job creation, skill development, investment and economic growth. We

also recognize that legislators take time to evaluate, determine a course of action, make changes to policy and then implement, so patience and continued support is needed in the industrial sector to help the government along this path; it is in everyone's interest that they are successful in this regard.

A predictable tax regime is critical to encourage foreign companies to invest. After many companies have complained about 'tax terrorism', the government clarified its tax policy. What has your experience been?

Tax predictability is a crucial factor in determining investment decisions or even a willingness to participate in conducting business in any country. If a regime is unpredictable then there is the potential for unexposed risk when conducting business: products either become more expensive to cater for the risk or are not available at all in the market, as a business might consider the risk too great and make them uncompetitive. Neither of these situations benefit India, as products become more expensive or are not available at all to the consumer.

So is the environment in India particularly bad?

Many countries' tax regimes are challenging, so one shouldn't single India out. Lockheed Martin's experience has been the same as many other companies, both foreign and domestic, that do business here. The very fact that we are present and are conducting our business in India, should be an indication that the risk is manageable. We are not in the habit of talking about specific taxation issues though, as they are a matter between a company and the government directly.

What do you make of the government's assurances on the tax front?

The Finance Minister's public statements express that the government is attempting to make the taxation regime more predictable by not applying retrospective taxation on any new cases. It's also introducing things like the GST, which will standardize more



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Phil Shaw is the chief executive of Lockheed Martin India

revenue collection and benefit India as a whole by encouraging more investment and trade. These moves are encouraging to many potential investors and partners wishing to conduct business in India.

What more do you think India needs to do to encourage Make in India?

The 'Make in India' campaign launched by Prime Minister Modi offers an opportunity to all of Indian industry to partner with foreign companies looking to establish a presence and capability in the country and generate new employment. There has been

welcome relaxation in FDI caps over the last 12 months and we applaud the government's initiative to make doing business in India easier. While things don't change overnight, and we wouldn't expect them to, there is no doubt that things are moving in the right direction to make a more investment-friendly environment.

Any specific actions come to mind?

Government ministers are actively seeking investments from overseas and energizing the Indian diaspora all over the world to come and invest in India.

I think that they are doing all the right things and that we need to be patient to see the effects of change as, if positive, these in themselves will encourage more investment. It is evident if you look at the investment figures that FDI levels are increasing in India, and the numbers for 2014 are quite encouraging. But even after these investments are announced, it will take a while to witness their effect in terms of plant construction, job creation, GDP growth and exports.

There is a worry in India about skill levels. What has Lockheed Martin's experience been? Do Indian workers measure up? Where are the shortcomings?

After our initial investment in manufacturing here in partnership with Tata Advanced Systems in Hyderabad, within 12 months of our agreement to work together as companies, we were able to erect a facility in a green field site and begin producing significant elements of our C-130J transporter aircraft. The speed with which we were up and running was quite remarkable for anywhere in the world, and ought to encourage companies considering investment in India.

The quality of work has been excellent, and we are now jointly employing almost 600 engineers at our plant in Hyderabad. All of these engineers had initial qualifications and were provided with apprenticeships or on-the-job training in our plant to arm them with the requisite skills to complete their jobs. Almost 400 additional engineers have been trained by the plant and are now in the larger aerospace industry in India.

So you haven't seen the skills shortage everybody keeps discussing?

I would say from our first experience in manufacturing in India that we have been encouraged and have not witnessed any significant paucity of skills. The fact that we have been able to train staff ourselves in many ways has been an advantage. The workforce has learned LM/Tata processes and skills at the outset, so we have been very pleased

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Iaf c 130j-30 super hercules makes an historic landing at Daulat beg oldie

with the results. The workforce is also young, at an average age of 25 across the 600 strong work force, and retention levels are also good, which means that although initially high, our training burden is reduced over the long term.

Anything else readers should know about Lockheed Martin's activities in India?

Lockheed Martin is actively engaged in several other campaigns for services in addition to the C130J, to include maritime helicopters, maritime combat systems, land forces vehicle technologies and missiles, plus air and missile defence systems, amongst many other military capabilities. Protecting national security requires not only good arms and equipment, but also good tactical communication for situational awareness and coordination. Lockheed Martin has the ability to offer the most effective and efficient equipment to deliver this capability. Border and critical infrastructure surveillance, security and protection are also strengths, and we offer a full gamut of capabilities that we would like to offer to India not only

for defence and homeland security, but also for areas such as civil aviation and smart cities.

Most people think of Lockheed as a

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defence company, but you're active in other areas as well, right?

Lockheed Martin is not only active in the defence and security arena, but has also applied its skills to developing new technologies in the renewable energy sector, such as waste to energy gasification technology and Ocean

Thermal Energy Conversion. On June 29, 2015, the company combined all its commercial energy products and services businesses into a single organization, named Lockheed Martin Energy Solutions. For decades, the company has been investing in smart, natural and safe energy technologies, enabling global security, a strong economic future, and climate protection for future generations.

What does the new company offer?

Lockheed Martin Energy Solutions' capabilities include:

- commercial energy management solutions;
- ocean thermal energy conversion, wave and tidal power, and waste-to-energy gasification
- advanced energy storage, intelligent microgrids, and nuclear reactor instruments and control systems.

We will be offering these capabilities to India to help with the Prime Minister's Swach Bharat, Ganga cleaning and Smart City missions. ■