The Washington Times

Pentagon cuts mean more layoffs for defense giant Lockheed Martin

By: Tim Devaney -Thursday, November 14, 2013

Lockheed Martin is cutting 4,000 jobs — 3.5 percent of its workforce — and closing or downsizing several facilities around the country as it grapples with the pressure of declining defense budgets and the recent government sequestration, the company announced Thursday.

Bethesda-based Lockheed, the nation's top weapons supplier, said it was making the move in response to slumping demand from its biggest customer, the Department of Defense.

Downsizing at Lockheed could be a sign of things to come, analysts say, as other defense contractors consider how to deal with the long-term effects of sequestration.

"Reducing our workforce of dedicated employees and closing facilities are among the most difficult decisions we make," Lockheed Martin Corp. President and CEO Marillyn Hewson said in a statement. "In the face of government budget cuts and an increasingly complex global security landscape, these actions are necessary for the future of our business and will position Lockheed Martin to better serve our customers."

Lockheed Martin builds everything from F-35 fighter jets and satellites to missile-defense equipment and warships for the Defense Department.

But like many other defense contractors, the company has felt the pressure this year of sequestration, the automatic cuts that have fallen particularly heavily on the Pentagon. Under the bipartisan budget deal, Pentagon spending over the next 10 years will be $500 billion less than previously projected, directly impacting contractors.

In 2012, Lockheed Martin's federal contracts totaled $39 billion — more than 80 percent of its business, according to the company's filings.

Other top defense contractors who could be affected by the cuts include Boeing Co., Northrop Grumman Corp., General Dynamics Corp. and Raytheon Co.

"We, along with others in the industry, continue to urge Congress and the administration to deal with our fiscal challenges through measures other than the indiscriminate cuts of sequestration," Lockheed said in a statement. "It's premature to say what the immediate impacts of full sequestration could mean, but long-term, we'll have to adjust our business to deal with any (U.S. government) budget cuts."

Lockheed Martin plans to close facilities in Newtown, Pa.; Akron, Ohio; Goodyear, Ariz.; Horizon City, Texas; and Sunnyvale, Calif., by mid-2015. Closing the facilities will eliminate 2,000 positions.

The contractor will cut another 2,000 jobs in the company's information, mission and training, and space systems divisions by the end of next year.

Since 2008, Lockheed Martin has trimmed its workforce by 30,000 employees to 116,000, evidence of an ongoing transition under President Obama as wars in Afghanistan and Iraq end. The latest cuts will reduce the Lockheed workforce to 112,000.

"It's inevitable that when you have lower defense spending, you're going to have some lost jobs," said Benjamin Friedman, a research fellow in defense studies at the Cato Institute. "I don't think we should be surprised by that. To me, it's a good thing, because I think we spend too much on our military, and there's a lot of savings to be had."

Wall Street took the news in stride. Lockheed Martin's stock closed Thursday up less than 1 percent at 138.29 — but much more significant is the fact that shares of the company have jumped 57 percent in the past year from $88 in mid-November 2012, as Wall Street feared the then-upcoming sequestration, which had been rumored for months.

Lockheed Martin's recent success on Wall Street is in line with other top defense contractors.

Despite the effect sequestration has had on workforces, the companies have more than weathered the storm.

Boeing closed Thursday at 135.09, up 90 percent from $71 a year ago. Northrop Grumman closed Thursday at 110.10, up 73 percent from $63 a year ago. General Dynamics closed Thursday at $87.94, up 41 percent from $62 a year ago. Raytheon closed Thursday at $85.68, up 57 percent from $54 a year ago.