

AIA Briefs Key Senators and Staff on Impact If EU Lifts China Arms Embargo

The European Union's apparent postponement of any decision to lift its arms embargo on China followed a storm of negative reaction from Congress, the Bush Administration, and U.S. industry, corresponding with an intense series of briefings by AIA's legislative team on Capitol Hill.

As congressional irritation with the EU intensified, AIA began Operation STEP (Senate Trade Education Program) to make senators and their staff aware of the economic and national security advantages of U.S.-EU aerospace trade. Focusing on the Armed Services and Foreign Relations committees, the team has completed more than 30 briefings in an effort to avert punitive legislation that could jeopardize industry jobs and revenue linked to trans-Atlantic markets.

AIA Source:
Patrick McCartan
703-358-1065

The briefings communicated the following core messages:

- AIA strongly supports the Bush Administration's position that the EU should retain and strengthen its arms embargo against China to ensure that sensitive Western defense technologies don't improve Beijing's ability to threaten its democratic neighbors.
- The United States enjoys a six-to-one advantage over the EU in bilateral defense equipment sales.
- The U.S. aerospace trade surplus with the EU exceeds \$12 billion.
- Aerospace companies created almost 25 percent of all new American manufacturing jobs in 2004.

The trade briefings are continuing in the Senate and will be expanded to the House.

AIA Applauds Rep. Udall on Aeronautics Bill

Rep. Mark Udall (D-Colo.) has introduced legislation to reinvigorate the nation's aeronautics research program, winning accolades from the U.S. aerospace and aviation industries

"Progress in aeronautics is crucial to the health of the nation's air transportation industry, an industry that is vital to the continued strength of our domestic economy and our international competitiveness," stated Udall, ranking member of the Space and Aeronautics Subcommittee of the House Science Committee. "And progress is possible only when we make a real commitment to aeronautics research."

AIA Source:
John Provenzano
701-358-1062

AIA President and CEO John W. Douglass applauded Udall's action, noting that "a strong aeronautics program that includes robust funding for rotorcraft and engine technologies is critical not only for the aerospace industry, but also for our national competitiveness and the quality of life of every American."

According to AIA statistics, NASA aeronautics funding has declined over the past 12 fiscal years from a high of \$1.54 billion in fiscal 1994 to \$852.3 million as requested in the president's fiscal 2006 budget request.

Douglass Testifies on Air Transportation Modernization

In testimony to the House Transportation and Infrastructure Subcommittee on Aviation, AIA President John Douglass focused on the importance of the Joint Planning and Development Office and the future of the U.S. air transportation system.

AIA Source:
John Provenzano
703-358-1062

The Commission on the Future of the U.S. Aerospace Industry, Douglass said, had recommended establishing the JPDO. A former member of the commission, he stressed the critical need for strong administrative and congressional support for the initiative.

The current U.S. air transportation system, designed in the 1960s, is rapidly becoming obsolete, the association president pointed

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WASHINGTON PIPELINE

Help Wanted: Senior Industry Executives to Fill Defense Leadership Positions

... DoD needs to cast a wider net, and Congress needs to work with the department to make the confirmation process reasonable and friendlier.

President Bush and his senior leadership team have been facing a significant challenge within the leadership team itself — empty desks in the Pentagon.

As this *AIA UPDATE* goes to press, the deputy secretary of defense position is vacant, the acting undersecretary for acquisition is leaving, and the post of deputy undersecretary for acquisition has been vacant for more

than a year. There is no secretary of the Air Force, undersecretary of the Air Force, or assistant secretary of the Air Force for acquisition. The secretary of the Navy has been designated to replace the deputy secretary of defense, and there is no undersecretary of the Army. Other lower level positions are also vacant.

We in the aerospace industry know how important these positions are, and we are in a position to help fill the vacancies. We are the talent pool that the Defense Department has been trying to tap to get qualified candidates with business experience into these jobs.

However, these are not the easiest positions to fill. The pay is so low compared to industry standards that top-notch applicants have to make huge sacrifices to take the jobs. The confirmation process is highly politicized and can be downright mean-spirited. And second terms, like the one President Bush is in now, offer only limited time to get things done.

This rash of vacant positions comes at an extremely important time for DoD:

- Congress has recently challenged the department regarding the structure of several of its major programs.
- Costs are on the rise across the board, mostly due to huge increases in the price of certain critical raw materials and because DoD is stretching programs and cutting quantities.
- Elected leaders are questioning a number of ill-conceived and poorly articulated program reduction and cancellations.

- The Navy has initiated a number of industrial base proposals that are not popular in Congress or industry.
- The Air Force is reeling from a shocking ethics scandal.
- The Army is pre-occupied by the difficult task of managing the war in Iraq.

And, on top of all of this, Europe's defense industry is pushing hard for access to DoD contracts at a time when the foreign policy of many European nations is diverging sharply from U.S. policy.

There is an old management rule that most experienced managers know to be true. With really good people you can make the most difficult process work. With weak or inexperienced people the best process can go bad quickly.

We don't need another round of new laws and regulations designed to help with DoD decision making. What we need is a fully-staffed Defense Department with qualified senior leadership.

The good news is that Navy Secretary Gordon England has been nominated as DoD's new deputy secretary. As an experienced, well-respected leader with many supporters in Congress, Secretary England is well-positioned to assume the traditional role of senior manager in the Pentagon.

It's time for the Congress and industry to help Secretary England flesh out DoD's top management team. To tap the vast reservoir of talent in industry across our country, DoD needs to cast a wider net, and Congress needs to work with the department to make the confirmation process reasonable and friendlier.

Equally importantly, senior executives in industry must step forward and offer to serve.



John W. Douglass

A stylized, handwritten signature in black ink, appearing to read 'John W. Douglass'.

AIA President and Chief Executive Officer

AEROSPACE INDUSTRIES ASSOCIATION

WASHINGTON WATCH

Greater Investment in Aeronautics Research and Development Funding Sought



Douglass Responds to SEC on Sarbanes-Oxley Section 404 Implementation Issues

AIA is leading a consortium of aerospace companies, organizations, and interested groups in an effort to increase funding for aeronautics research and development at NASA.

From a level of \$1.54 billion in 1994, funding for NASA aeronautics has experienced a steady decline to a proposed level of \$852.3 million in fiscal year 2006 with further cuts expected to drop funding to a level of \$717.6 million by fiscal 2010.

The erosion of federal investment in research and development is placing the United States at a competitive disadvantage.

Due to the cuts, critical research in areas such as advanced engine technology and rotorcraft design has been pushed aside. It is AIA's goal to win increased funding for NASA aeronautics and establish a robust national aeronautics policy to ensure our nation's leadership in the future.

AIA, along with its industry partners, has begun a vigorous campaign on Capitol Hill, working with congressional leaders to stop the continuing decline of funding levels and restore the NASA Aeronautics Mission Directorate budget to at least the fiscal 2005 level of \$906.2 million.

A copy of the congressional briefing paper is available on AIA's Web site at

**[www.aia-aerospace.org/
issues/subject/aero_rd.cfm](http://www.aia-aerospace.org/issues/subject/aero_rd.cfm)**

AIA President and CEO John Douglass has responded to a Securities and Exchange Commission invitation for comments on Section 404 of the Sarbanes-Oxley Act of 2002.

Section 404 of Sarbanes-Oxley requires CEOs of companies and their auditors to attest annually to the effectiveness of a corporation's internal controls to ensure that financial statements are prepared in accordance with generally accepted accounting principles.

The process of implementing the requirements of Section 404 reportedly consumes considerable time and resources within corporations and has generated intense debate between companies and the SEC.

Stressing that AIA member companies strongly endorse the goals of the Sarbanes-Oxley Act, Douglass urged more consultation with industry in the future in developing implementing procedures and standards.

He also pointed out that the implementing standards should

1. Clarify that external auditors should assess entity controls as a whole before doing detailed activity testing.
2. Adopt a more risk-based, rotational approach to audit coverage and testing.
3. Place greater reliance on companies' internal audits and testing.

On Information Technology, Douglass recommended that the implementing standard

*Sarbanes-Oxley
continued
on pg. 4*

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AIA's staff will answer your questions and receive your comments on articles appearing in **AIA UPDATE**.

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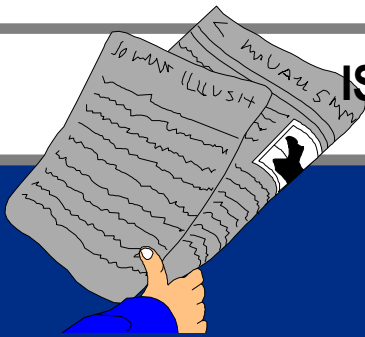
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ISO: Aerospace Workers, Aerospace Openings



In an initiative that will help AIA member companies attract needed new employees and assist potential aerospace workers locate job openings, the association has created an Internet site where they can find each other.

It's called Aerospace Jobs, and it's located on AIA's Web at www.aia-aerospace.org.

Aerospace Jobs allows interested candidates to search the employment pages of participating member companies to find a career right for them.

More than 35 companies are already linked electronically to the Aerospace Jobs page. Creation of the Aerospace Job center couldn't have come at a better time. Many skilled workers are retiring and the job demand is beginning to grow

again after a period of workforce decline. There are thousands of positions open for talented people interested in high-skill careers in the aerospace and defense industries.

AIA President and CEO John Douglass believes the Aerospace Jobs process is a valuable tool that will get young people into positions to help fill openings created by the aging aerospace workforce and economic growth.

"The industry needs to find the next generation of aerospace employees," Douglass said. "This is only the first step in expanding AIA's workforce outreach to further benefit both our membership and job seekers."

Aerospace employment hit a 50-year low of 579,700 in February 2004 before the current growth trend began. The number of workers in the industry had climbed to 607,300 by the end of last year.

AIA member companies can link their job search pages to AIA's site at no cost by contacting Kathie Care at kathie.care@aia-aerospace.org.

To view current listings, go to www.aia-aerospace.org and click on Aerospace Jobs at the top right of the page.

AIA Source: Anne Wiskerchen, 703-358-1078



Douglass Testifies continued from pg. 1 out, noting that the system is stretched to its limits and will be unable to handle the dramatic increases in traffic projected for the years ahead.

The impact of this obsolescence is already proving costly, Douglass testified, citing data from the Air Transport Association showing that delays due to problems with equipment, runways, traffic volume, and weather cost the airline industry \$6.2 billion last year and are estimated to rise as high as \$30 billion annually.

AIA will continue to engage the JPDO and work to ensure that the Next-Generation Air Transportation System provides the capacity needed to guarantee continued safe and efficient management of our nation's airways, Douglass pledged.

Sarbanes Oxley continued from pg. 3

better define IT controls, focus reviews of IT controls on financial reporting, and allow a level of flexibility that will accommodate IT system changes and upgrade initiatives.

The importance of permitting external auditors to function as business advisers during resolution of complex accounting issues was emphasized by Douglass in his March 31 letter to the commission.

Lack of specificity in the implementing standard regarding the level of independence that should be maintained by external auditors, Douglass wrote, has led to reluctance on their part to engage in intellectual debate over issues, strained relationships with company management, and most importantly, increased costs of audits and management's testing and assessment.

A copy of the letter is available on the AIA Member Login Web site in the Procurement and Finance section.

Plan Now for August AIA Regional Meeting

August 3-4, Minneapolis, Minnesota

Host: Celestica Corporation

Meetings are open to all AIA members. Learn more about AIA, the aerospace industry, and Washington policy issues.

For information, contact Patricia Ward at 703-358-1061 or by e-mail at trish.ward@aia-aerospace.org.

PPP Tiger Team Tracking Network-Centric Information Systems

In its continuing support of the National Defense Acquisition Strategy, AIA and the Defense Department held another Public-Private Partnering (PPP) Tiger Team meeting in April to assess opportunities for weapon system support information services and technical data.

DoD is spending significant capital to develop enterprise resource planning and other information systems and technology infrastructure in the government supply support system. At the same time, the department is transitioning to performance-based logistics (PBL).

The vision is for government and industry to have the same standards for technology in order to communicate within a network-centric environment.

DoD explained its updated PBL approach, how PPP opportunities will contribute to the Forward Logistics Roadmap, and its vision of a sense and respond logistics strategy. Industry shared how a network-centric operation system would function, the possibility of supporting that network system through an industry consortium, and the experience of Exostar, an existing consortium.

Industry also detailed its work on product data management interoperability designed to standardize product information exchanges. Finally, industry shared examples of commercial practices that correspond to sense and respond and network-centric operations.

**AIA Source:
Rusty Rentsch
703-358-1054**

Tiger team participation included members of DoD's Total Life Cycle Systems Management Executive Council and AIA's e-Business Steering Group, Product Support Committee Executive Board, Electronic Enterprise Integration Committee, Supplier Management Council, and the PDM Interoperability Working Group that functions under the Engineering Management Committee.

An integrated project team will help develop a concept of operations for setting up requirements for information exchange between industry and DoD.

Information systems development is the second PPP focus area in a series of six that includes technical data, technical support services, microelectronics, training, and distribution services.

Van Zummeren Named Manager of AIA's Civil Aviation Programs

Michael Van Zummeren has joined AIA's Civil Aviation Department as manager of civil aviation programs.

His responsibilities include monitoring government notices and press reports to identify emerging issues or trends related to civil aviation and reviewing government regulatory and policy proposals and coordinating with appropriate civil aviation committees to develop AIA positions.

A 2004 graduate of George Mason University with a bachelor of arts degree in government and international politics, Van Zummeren previously worked for the Association of Air Medical Services where his duties included researching the impact that proposed legislative and regulatory changes would have on air medical transport programs. He also served eight years in the U.S. Army, two as **Van Zummeren can be contacted at 703-358-1087 and michael.vanzummeren@aia-aerospace.org.**

Standards Store Open on Web

AIA has activated its redesigned National Aerospace Standards Store, which is accessible on the association's Web site.

All of AIA's national aerospace standards, the largest body of trade association standards in the United States, are available for purchase through the Web site.

The standards store has been redesigned to provide users faster access to standards and the ability to search the site using a variety of criteria.

**AIA Source:
Michelle Princi
703-358-1005**

Available to AIA members and non-members, the store offers association members the benefit of a 40 percent discount in pricing.

AIA's National Aerospace Standards Committee is responsible for the development, maintenance, and revision of thousands of standards defining parts and practices used in aerospace design and manufacturing.

To access the Standards Store, go to www.aia-aerospace.com and click on Library in the menu bar.

Half of U.S. Aerospace Exports Go to Seven Nations

Half of the \$57 billion in U.S. aerospace exports in 2004 went to seven countries — Japan, France, the United Kingdom, Canada, Singapore, Germany, and the Netherlands.

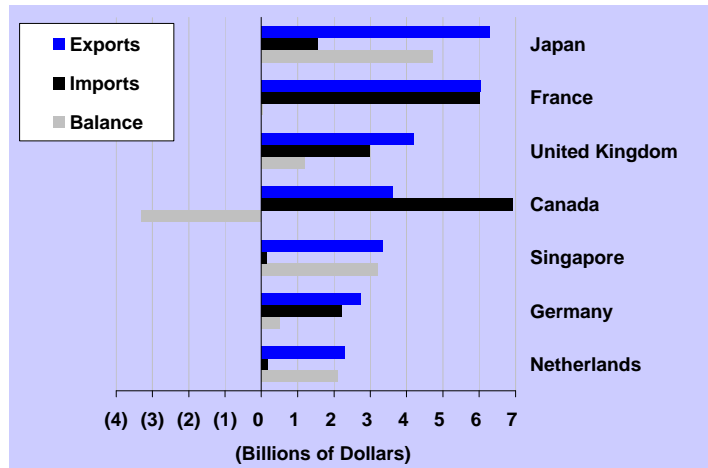
The United States sent \$6.3 billion in aerospace exports to Japan — the largest importer of U.S. aerospace products. France was second with \$6 billion, followed by the United Kingdom, Canada, Singapore, Germany, and the Netherlands.

Five of the seven largest consumers of U.S. aerospace exports were also the leading aerospace exporters to the United States.

The United States imported \$6.9 billion from Canada — the largest exporter of aerospace products to the United States for a second straight year. France was second with \$6 billion, followed by the United Kingdom, Germany, and Japan. These five countries combined were the source of 78 percent of U.S. aerospace imports.

Despite the U.S. aerospace industry generating a \$31 billion trade surplus in 2004, Canada ran an aerospace trade surplus with the United States of \$3.3 billion. Japan, at \$4.7 billion, was the largest contributor to

Aerospace Foreign Trade with Seven Largest Consumers of U.S. Aerospace Exports, 2004



AIA Source: David Napier, 703-358-1015

the U.S. industry's trade surplus. Singapore was second with \$3.2 billion, followed by the Netherlands, the United Kingdom, and Germany.

The combined aerospace surplus generated from trade with these five countries constituted 38 percent of the industry's trade surplus.



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