

AIA Initiative Will Assist Chinese Airline and Government Officials Study U.S. Aviation System

A series of U.S.-sponsored training programs for Chinese airline representatives and government officials shows America's interest to help develop an important future market, according to AIA officials.

AIA President and CEO John W. Douglass said the training, which an AIA associated, non-profit corporation will coordinate, is an important way for American manufacturers to show they are positive contributors to the world's fastest growing civil aviation system.

AIA Source:
Remy Nathan
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"These programs will create a direct link between our member companies and potential customers in one of the largest markets in the world," Douglass said.

China's aviation industry is a developing market and has the potential for huge growth in the number of people using air transportation. This makes it a significant potential market for airplane producers and their hundreds of suppliers as well as other companies related to civil aviation.

Analysts have concluded that China has the potential to buy \$144 billion worth of airplanes and related technology by 2020. The Chinese government recently announced its airlines will purchase 60 new Boeing 787 aircraft.

The Civil Aviation Authority of China signed an agreement with AIA's National Institute for Aerospace Studies and Services (NIASS) to promote training programs and studies. A \$500,000 U.S. Trade and Development Agency grant is funding the NIASS program.

In addition to the management training courses for Chinese airline executives, NIASS will support travel to and participation in FAA courses for Chinese officials responsible for developing airline safety regulations.

AIA and ATCA Form Industry Institute for Air Traffic Control

AIA has partnered with the Air Traffic Control Association to form an industry institute that will focus on support for the development of a new, state-of-the-art U.S. air traffic control system.

The two groups created the institute to work with the Joint Planning and Development Office in crafting the Next-Generation Air Transportation System.

AIA Source:
Mike Romanowski
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The JPDO is the government body planning the new air transportation system to replace the current aging and outdated air traffic control system. The plan to develop a new system was sent to Congress in December.

Demand for air travel and congestion at major airports are expected to increase dramatically over the next 20 years, prompting Congress to set up the JPDO. Open avenues of communication are vital to ensure the

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AEROSPACE FOCUS



AIA President and CEO John Douglass occupies a gunner's position in an M2A3 Bradley Fighting Vehicle made by association member company United Defense. Douglass and other AIA executives observed the Bradley's capabilities during a tour of the United Defense Ground Systems Division plant in York, Pa.

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WASHINGTON PIPELINE

Bush Budget Has Defense R&D Strength, But Needs Modernization Momentum

“AIA is preparing to take the aerospace industry budget case to Congress and will point to the dramatic benefits that defense and space programs generate.”

The president’s fiscal 2006 budget request contains opportunities and challenges for the U.S. aerospace industry.

On the positive side, the Pentagon’s \$419 billion blueprint continues post-Cold War emphasis on maneuverable, precision forces that can be rapidly deployed to any flash point when needed.

The Bush Administration has requested more than \$9 billion for homeland defense programs and proposed needed increases in research and

development spending, notwithstanding that war fighting operations in Iraq and Afghanistan demand higher personnel support expenditures.

After fiscal 2006, however, the Defense Department plans major cuts in some Air Force and Navy long-range strike programs, actions that could handicap military modernization efforts — an issue sure to come under close and careful congressional review.

In the months ahead, AIA will work with executive and legislative branch officials to ensure that government decisionmakers have details of the significant impact of the proposed defense cuts on the aerospace industrial base.

Meanwhile, NASA’s budget plan keeps the country’s Vision for Space Exploration focused with more than \$1 billion allocated to advance human and robotic programs for moon and Mars missions.

The vision, which anticipates a return to flight of the shuttle and deployment of a next-generation crew exploration vehicle, will enable the aerospace industry to continue systems development efforts for human orbital and sub-orbital travel and for high-performance communications and imaging tools that will have important life-impact applications on Earth.

Beyond exploration, NASA calls for a 32 percent increase in air traffic control modernization funding to

support the multi-agency Joint Program and Development Office, the organization responsible for making the air traffic control network more efficient and secure.

The administration, however, must make a solid commitment to a multi-year investment in ATC modernization, as AIA stressed in a recent meeting with the chairman of the House Aviation Subcommittee and will re-emphasize during planned congressional air transportation hearings this spring.

An upgraded civil and military air navigation architecture, which the JPDO wants to complete no later than 2025, requires stable, long-term funding for digital-based technology integration.

In addition, NASA has proposed reducing its aeronautics budget by more than \$50 million, a decision that could delay critically needed research for the design of new cost-effective and environmentally acceptable aircraft engines.

Congress recently took the positive step of extending federal research tax credits through the end of this year, a benefit that will help several aerospace companies undertake high-risk product development investments.

It must be made clear, however, that NASA’s aeronautics efforts remain vital to the integration of space and commercial airliner propulsion technologies.

In response to the proposed budget, AIA is preparing to take the aerospace industry case to Congress and will point to the dramatic benefits that defense and space programs generate for the security of America and the health of the nation’s economy.



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

U.S. Must Maintain Leadership in Space, Douglass Tells Congress

The U.S. must respond to strong international competition for launching commercial satellites and other space operations, AIA President and CEO John Douglass told Congress.

Failure to meet the challenge would hurt America's ability to conduct business, communicate, travel, and even fight wars, Douglass told a House subcommittee.

"Forty years ago we were in a space race exclusively with the Soviet Union," he told the Aviation Subcommittee of the Transportation and Infrastructure Committee. "Now we're in a race with Russia, Brazil, India, Japan, China, and the European Union across almost every market for civilian and commercial space products."

The subcommittee, chaired by Rep. John Mica, R-Fla., sought testimony on commercial space transporta-

tion, space vehicle development, commercial satellite capabilities, and international competition.

Douglass said it is important to the U.S. commercial space industry for the president and Congress to work together to:

- Enhance the ability of U.S. manufacturers to leverage economic and public safety benefits of space exploration.
- Reward risk and creativity in reusable rocket and vehicle development.
- Support modernization of the National Airspace System.

AIA Source: Patrick McCartan, 703-358-1065

AIA's Jon Etherton Serving on Federal Acquisition Advisory Panel

AIA Vice President of Legislative Affairs Jon Etherton has been named by the Bush Administration to a new advisory panel studying government contracting.

He is serving on the Services Acquisition Advisory Panel, mandated by the 2003 Services Acquisition Reform Act to review federal contracting laws, regulations, and policies.

Etherton and his 13 colleagues on the panel have taken on a year-long review of government contracting practices with an eye toward what government can learn from commercial practices.

Their work also will entail an examination of performance-based contracting and governmentwide

acquisition contracts.

The panel is operating under the Office of Management and Budget and will deliver a final report to Congress and the Office of Federal Procurement Policy.

OMB officials said the panel fits in with the president's efforts for government management reform.

Panel members include corporate executives, government contracting experts, academics, and representatives of government agencies.

Etherton has been with AIA since 1999. Earlier, he was a Senate staff member, including 14 years with the Armed Services Committee. Much of his work has involved acquisition and contracting issues.

AIA CONTACTS

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

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Filling the Gap for Our Military Kids

Reserve and National Guard military personnel called to active duty are filling major roles in Iraq, Afghanistan, and elsewhere.

Yet, significant resources available to children of active duty military personnel are often inaccessible for the kids of men and women deployed with reserve and National Guard units.

A non-profit organization known as Our Military Kids, Inc., is working to make it possible for children of all military families to receive support while coping with the absence of a parent serving away from home.

The mission of Our Military Kids is to ensure that children of deployed reservists and guardsmen can participate in youth sports, fine arts, tutoring, and other programs.

For more information or to make a donation, visit www.ourmilitarykids.org.

Aerospace Standardization Forum Created

To help reduce duplication and proliferation of aerospace standards, AIA has created a Strategic Standardization Forum for Aerospace.

The forum will provide sweeping guidance of aerospace manufacturing standardization, the most ambitious such undertaking in any industry worldwide. The group will:

AIA Source:
Bruce Mahone,
703-358-1095

- Examine aerospace standardization systems, processes, and organizations.
- Define requirements for standards and standards systems to support aerospace growth.
- Issue recommendations for ensuring an optimum standards infrastructure for aerospace.

"This initiative comes at a time when America's aerospace and defense industry is facing strategic issues that will affect standards," AIA President and CEO John W. Douglass said. "It is an enormously positive step that

companies have decided to work together on this effort."

The endeavor comes in the wake of the Report on the Future of Aerospace Standardization, which examined standardization systems and processes, defined requirements to support future growth, and made recommendations to create a standardization infrastructure.

Standards are the single largest source of technical data, the report noted, in the design, manufacture, and support of aerospace products.

The President's Commission on the Future of the U.S. Aerospace Industry found that "global standards and regulations are critical to the efficient operation of the global aviation system and international markets."

The report led to establishment of the forum and identified emerging issues with potential to seriously impact standards systems and data.

Aerospace Employment Grew in 2004, Reversing 50-year Industry Low

Aerospace employment by the end of 2004 had increased 27,400 over the 50-year industry low that occurred last February, according to figures released by the Bureau of Labor Statistics.

The December 2004 total of 607,100 jobs was up from 583,000 a year earlier and 603,300 in December 2002.

AIA Source:
David Napier
703-358-1015

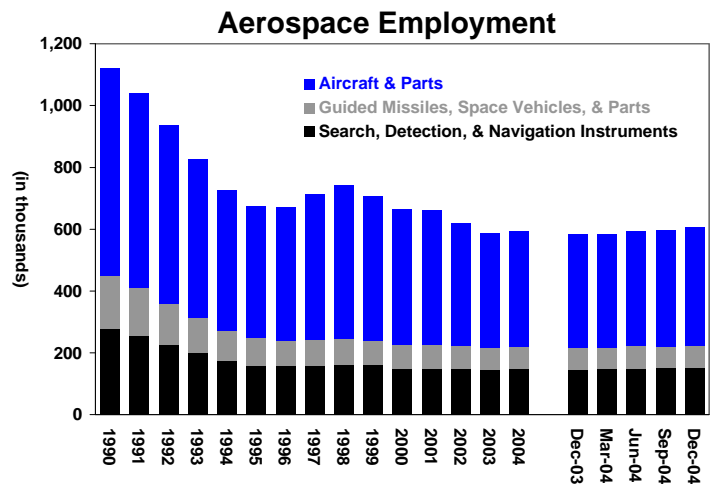
The employment category known as "aerospace" in AIA's shorthand is the sum of Aerospace Products and Parts and Search, Detection, and Navigation Instruments in the North American Industry Classification System manufacturing codes.

December's 607,100 aerospace workers included 384,600 from Aircraft and Parts, 70,400 from Guided Missiles, Space Vehicles, and Parts, and 152,100 from Search, Detection, and Navigation Instruments manufacturing sectors.

For the year, the aircraft sector increased its workforce by 5 percent and instrument manufacturing added 4 percent, while missile and space vehicle employment declined slightly.

In addition, average weekly hours and overtime hours worked generally increased in 2004 — indicating that further workforce near-term growth in 2005 is likely.

For more information, see Group II (Employment) Statistics on AIA's Web site at www.aia-aerospace.org/stats/aero_stats/aero_stats.cfm.



Industry Institute continued from pg. 1

expertise available in industry is put to good use in planning the system, association officials said.

The institute is designed as a forum through which aviation stakeholders can submit information to the JPDO on system architecture and other requirements.

The Institute is organized as part of an existing AIA subsidiary, the National Center for Advanced Technologies.

For more information on the Next-Generation Air Transportation System, go to www.jpdo.aero.

FY06 Budget Under Review by AIA

The Bush Administration's proposed fiscal 2006 budget, submitted to Congress in February, is under review by AIA's Aerospace Research Center and other association organizations.

Though initial analysis has been difficult, here are some key discoveries in the broad proposal:

- DoD's research, development, test, and evaluation increases \$0.6 billion to \$69 billion, while procurement declines \$0.2 billion to \$78 billion. Aircraft and missile procurement grow \$1.7 billion, but shipbuilding declines \$1.6 billion.

- Homeland Security remains steady at \$41 billion. Science and technology grows 23 percent to \$1.4 billion. Project BioShield is zeroed, but border and transportation security rises 10 percent to \$16 billion.

- NASA increases a mere 1.6 percent to \$16.5 billion. Exploration under the National Vision for Space Exploration increases but comes at the expense of aeronautics and science

Budget continued on pg. 6

AIA Adds APC

Advanced Products Corporation of Los Angeles, AIA's newest member, is a holding company for operating firms in the aerospace and defense composites sector.

APC companies utilize networking opportunities by being under one umbrella and by sharing resources such as research and development, engineering, and manufacturing processes.

As the supplier base to aerospace primes consolidates, APC is strengthening the capabilities and quality of products produced by its subsidiary

AIA Source:
Trish Maguder Ward
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companies by contributing capital, experience, business knowledge, and sales and marketing expertise.

For more information, visit www.vtcomposites.com

Security Clearances for Industry to Speed Up

The national intelligence reform bill President Bush signed in December could help reverse the growing backlog of security clearances that many aerospace companies rely on for hiring skilled employees.

In hopes of speeding administrative review and decisionmaking, the new law mandates a specific time period for clearance requests to be granted or refused.

Initially, within two years of enactment of the law, each agency responsible for security clearance reviews will have 120 days in which to decide on at least 80 percent of all applications. Then, within five years after enactment, the standard speeds up further so that determinations must be made within an average of 60 days on at least 90 percent of all applications.

First, however, the president has 90 days to select an agency or office to oversee day-to-day investigations and clearance request decisions. That agency or office will develop and implement policies and procedures for security clearance requests.

In another matter related to the aerospace industry, the legislation requires the secretary of homeland security to implement a national transportation security strategy.

Within the strategy the Transportation Security Administration must develop plans for improved passenger prescreening, deployment of improved explosives detection equipment, and development of better technologies for air cargo security.

AIA Source:
Kirsten Koepsel
703-358-1044

Hoai Huynh Added to Staff as New ESH Director

Hoai Huynh has been added to AIA's staff as director of Environment, Safety, and Health. He is responsible for coordinating AIA's environmental affairs and occupational safety and health activities as well as providing technical support to staff and member company efforts in legislative and regulatory arenas.

The new AIA executive comes from Counterpart International, where he was director of Environment and Natural Resources, focusing on projects in the former Soviet Union and Southeast Asia.

Also, Huynh spent almost eight years working for the Environmental Protection Agency as a Europe/Eurasia program manager and as an air enforcement officer.

He earned a bachelor's degree in aerospace engineering and a master's in environmental engineering from Georgia Tech.

Huynh can be contacted at 703-358-1050 and hoai.huynh@aia-aerospace.org.

AIA Hires Coordinator to Guide TARC

Allison Harvey has joined AIA in the new post of Team America Rocketry Challenge coordinator.

In this role Harvey handles much of the day-to-day planning of the annual event, the largest model rocket contest in the world.

She reports to AIA Vice President of Space Systems J.P. Stevens who remains the contest's executive director.

Harvey is already at full pace — more than 700 teams of middle and high school students have signed for the 2005 TARC, and the finals are scheduled for May 21 at Great Meadow in The Plains, Va.

Harvey graduated from Washington and Lee University in 2001. Since then she worked in the John Kerry for President campaign

She can be contacted at 703-358-1031 and allison.harvey@aia-aerospace.org.

Budget continued funding and falls from pg. 5 far short of levels AIA recommended in its current five-year R&D plan.

- FAA decreases \$904 million to \$13.2 billion. Spending for operations

increases to \$8.1 billion, but trust fund money — user taxes set aside to pay for facilities, equipment, and airport development and modernization — is proposed to pay for more than 81 percent of operations, up from 53 percent

in fiscal 2003. Grants-in-aid for airports plummets 32 percent to \$2.5 billion, and facilities and equipment declines \$77 million.

Budget Authority by Agency & Major Category (in millions of dollars)	2004	2005	2006	FY 05/06 Change	
				Gross	Percent
Department of Defense	471,001	402,032	421,118	19,086	4.7%
Research, Development, Test & Evaluation	64,643	68,797	69,355	558	0.8%
Procurement	83,073	78,262	78,043	(219)	-0.3%
Aircraft	23,271	25,102	25,292	190	0.8%
Missiles	7,277	7,365	8,873	1,508	20.5%
Weapons	2,424	2,915	2,256	(659)	-22.6%
Ammunition	3,643	3,792	3,625	(167)	-4.4%
Shipbuilding	11,333	10,363	8,721	(1,642)	-15.8%
Other	35,125	28,725	29,276	551	1.9%
National Aeronautics & Space Administration	15,378	16,196	16,456	260	1.6%
Exploration Capabilities	7,478	8,358	6,763	(1,595)	-19.1%
Exploration, Science, & Aeronautics	7,873	7,681	9,661	1,980	25.8%
Office of Inspector General	27	31	32	1	3.2%
Supplemental Budget Authority	-	126	-	(126)	-100.0%
Federal Aviation Administration	#REF!	#REF!	#REF!	#REF!	#REF!
Grants-in-aid for Airports	3,649	3,702	2,531	(1,171)	-31.6%
Facilities & Equipment	2,863	2,525	2,448	(77)	-3.0%
Research, Engineering & Development	119	130	130	0	0.0%
Operations	#REF!	#REF!	#REF!	#REF!	#REF!
Operations, Trust Funds	4,469	4,879	6,500	1,621	33.2%
Operations, Federal Funds	3,010	2,828	1,551	(1,277)	-45.2%
Department of Homeland Security	36,510	41,017	41,067	50	0.1%
Mandatories, Fees and Funds	5,735	6,519	6,915	396	6.1%
Project BioShield	885	2,508	-	(2,508)	-100.0%
Discretionary	29,890	31,990	34,152	2,162	6.8%
Border & Transportation Security	13,508	14,642	16,099	1,457	10.0%
US Coast Guard	5,668	6,321	6,947	626	9.9%
Office of State & Local Gov't Coordination	4,193	3,985	3,565	(420)	-10.5%
Emergency Preparedness & Response	2,886	3,082	3,257	175	5.7%
Science and Technology	913	1,116	1,368	252	22.6%
Info. Analysis & Infrastructure Protection	834	894	873	(21)	-2.3%
Other	1,888	1,950	2,043	93	4.8%



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