

**AIA/ASD Convention Remarks
Walt Havenstein, BAE Systems
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Good afternoon, everyone. I am privileged to be with you today to represent both my company – BAE Systems – and all of the other member companies of the U.S. Aerospace Industries Association.

I would like to take a brief moment to recognize John Douglass, who is here attending his last AIA/ASD meeting. On behalf of the U.S. industry, I want to recognize the exceptional leadership John has provided to AIA and our member companies for the past nine years as our association president and CEO. Thank you for your service and engaging so fully in events such as these around the world to enhance the position of our industry.

With all of the challenges facing the global aerospace and defense industry and the increasing pace of change, it continues to be more important than ever for industry leaders from around the world to come together at events such as this one to focus on strategic issues such as this year's convention theme of "building a sustainable industry."

At the International Paris Air Show in June, I was honored to be one of the CEO's engaged in the combined leadership meeting of AIA and ASD. In that meeting, significant progress was made toward modernizing the U.S. export control system to increase security and trade on both sides of the Atlantic. Leaders also agreed that improving the ecological impact of aviation is an important goal for the global aerospace industry.

While in Paris, I noted that this year's U.S. delegation was the largest in recent history – which I believe is testament to the fact that the U.S. understands the importance of the **global** nature of our industry. We all have the opportunity to take a leadership role in bringing the key players together as we strive to take significant steps to improve our industry.

This year, AIA and its member companies set forth a "top ten" list of issues as well as specific actions to pursue in order to enhance the global aerospace marketplace. In my opinion, every one of these is very much an integral part in working toward "building a sustainable industry." The two outcomes I just mentioned from the Paris Air Show were representative of two of AIA's foremost issues for 2007, which only serves to reinforce how relevant and pivotal these key initiatives are for both AIA and ASD.

The leading AIA issue identifies the need for commitment from all of us to advance ethical business practices worldwide. Ethical practices are essential to developing and maintaining sustainable aerospace and defense companies.

Recruiting and retaining an effective and ethical workforce, as well as instituting and operating by fair and transparent global business laws and regulations are absolute, unimpeachable requirements to build confidence and trust among our industry partners and customers alike. Lack of trust, or the mere **perceived** lack of trust, will significantly limit our ability to build a sustainable industry.

When we agreed in Paris to pursue reductions in our industry's impact on the environment, one of the ways this goal was expected to be realized was through transformational improvements in our aviation systems. A safe, secure and efficient air transportation system is essential to the prosperity and competitiveness of our industry and the global economy.

With a rising economy and renewed passenger confidence, business and general aviation traffic is back above pre-9/11 levels. With demand mounting and existing inventory aging, experts predict that carriers will add thousands of new aircraft to their fleets by 2020. But our current system cannot accommodate this expansion in traffic.

The good news is that government and industry stakeholders acknowledge the problem and are beginning to lay out plans for system modernization. AIA is actively engaged in pressing for adequate funding and appropriate prioritization for the Next Generation Air Transportation System (or NextGen) while not unfairly impacting any segment of the industry or adversely impacting growth.

This is a direct parallel to this convention's definition of "building a sustainable industry" as, and I quote, "meeting the needs of the present without compromising the ability of future generations to meet their own needs." It is imperative that we **not** pursue this initiative at all costs, nor fund it with a loan that our children will be unable to pay.

Continued support of transformational initiatives such as NextGen and other programs that address safety, security, and regulatory efficiency is necessary to facilitate long-term industry growth.

One example of the potential results of focusing on integrated, data-driven improvements in aviation safety is the Commercial Aviation Safety Team (CAST), which is on track to achieve its goal of an 80% accident rate reduction by 2007. In fact, just this week we have marked the end of the best air safety period in the history of U.S. flight. Building on its success to date, CAST will continue to use aviation industry data to identify emerging threats before they result in accidents and support the adoption of its methods internationally to achieve similar safety improvements worldwide. Increased safety and security are crucial to building trust in our industry, and helping our customers to feel safe and secure is its own reward.

Additionally, these transformational changes will improve the efficiency of our industry's operations, which will provide returns in the form of a more ecologically responsible industry. Modernizing air transportation systems will lessen flight delays and reduce fuel burning. And further environmental advances will result from the pursuit of new aircraft designs that are more fuel efficient and the development of "greener" fuels. Going "green" is not an option for our industry – it is a responsibility.

Technology has had a huge impact on our industry and our products. The new generation of aircraft is unlike any that came before it – they are made of stronger, lighter materials; engines are more powerful, reliable, cleaner and quieter.

Today's advanced avionics and flight systems, electronic systems, and aircraft materials are true tributes to the marvels of science and technology. During my career, I've seen the introduction of digital technology, satellite and other wireless communications, flat-panel instrument displays, to say nothing of heads-up displays within helmets and a host of other innovations. Developing and fielding new, innovative concepts will continue to drive our industry forward...as it always has.

But our industry's reliance on leading-edge technologies brings me to another AIA top objective for 2007, to promote the long-term vitality of the aerospace industrial base. The goal of this initiative is to bring government and industry together to advance aerospace leadership and sustain the industrial base as a strategic asset integral to our nation's defense.

The U.S. is not alone in viewing its aerospace and defense industry as a national asset. With its adoption of the Defence Industrial Strategy, the UK joins a growing number of countries that recognize the value of these innovative technologies as fundamental to the future capabilities of their armed forces, as well as the strength of their industrial bases.

By direct extension, AIA realizes that promoting the vitality of the aerospace industrial base also revolves around sustaining a vibrant workforce. Qualified people are the greatest challenge to the defense industrial base going forward.

Research indicates that fully 27% of the engineers in the U.S. aerospace workforce will be eligible to retire in the next five years. And potential new engineers are choosing other professions, lured by evolving civilian technology markets and a perceived lack of national security challenges compared to the decades of the Cold War defense buildup and space race. This year I am spending fully one-third of my time on leadership development, and I challenge all of you to seize opportunities and take the initiative to support programs that inspire, recruit and retain the future high-technology workforce that is so essential to our industry.

AIA is leading efforts aimed at revitalizing federal aeronautics research funding backed by integrated plans to address the aging aerospace workforce and new workforce development. The European Union is accelerating its Vision 2020 Research & Development plan to increase its investment and make commercially relevant aeronautics R&D a top priority. In the U.S., the 2006 NASA Reauthorization Act mandated the creation of a National Aeronautics Policy that reflects the critical role that aeronautics plays in the competitive global marketplace and sets the path for domestic aeronautics research for the long-term.

As industry leaders, we **all** need to be advocates for addressing these critical workforce issues and providing adequate research funds to support advanced degree research at our nations' universities. By addressing these issues and developing future leaders, we will be taking an active role in building a sustainable and vibrant industry.

Several other 2007 objectives of the AIA entail establishing necessary financial and policy support of civil, commercial and national space programs. The U.S. space program calls for a return of humans to the moon no later than 2020 – not unlike the target stated in the “Sustainable Space 2020” workshop sponsored here.

AIA supports many of the same initiatives covered in the “Sustainable Space” presentations and discussion topics of education, governance and funding of space programs. And AIA remains dedicated to vigorous political and public education efforts to advance the enduring economic and social benefits of space exploration.

Occasionally, official positions among our member companies and countries are divergent on issues that are important to our industry with strong opinions on every side of these issues. This only serves to escalate the importance of meetings such as this to provide a venue for open communication about both these differences as well as those upon which we hold common ground.

By affording the opportunity for sharing information and engaging actively in workshops such as those hosted at this ASD Convention, we can reach consensus on a number of important policies and issues, and then collaboratively move our industry forward through thoughtful initiatives.

In closing, I am proud of all that this industry has accomplished ... and I am confident that the leadership of the AIA and ASD will continue to play a major role in our future achievements to build a sustainable industry. We all share in our albeit brief history, a history that encompasses the Wright brothers feat just over 100 years ago, and the U.S. Air Force celebrating its 60th anniversary just this year.

U.S. defense and aerospace companies understand the need to support our men and women in uniform. We consider it an honor as well as our duty to deliver the very best we have to offer to ensure their safety.

Our past tells the story of men and women standing fearlessly to attempt the previously unimaginable, to break those surly bonds of gravity and fly... and not just soar, but to break the speed of sound and beyond. We inherit a responsibility to honor and celebrate our heritage, yet not rest upon these accomplishments.

Thus, our challenge is to not only build a sustainable, viable industry, but to create one that is also **vital** and **exemplary** in its ability to attract the best and brightest talent and serve its customers and nations around the world. We must be prepared to develop the technologies and provide the capabilities that will support our men and women in uniform – wherever they may serve.

Thank you very much.