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Thank you, John (Douglass), for those kind remarks.  
Good morning and welcome to our AIA Regional Meeting.

I'm especially pleased to welcome you to Texas, where more than 9,000 Raytheon people work in our various operations here, including Network Centric Systems, Intelligence and Information Systems, and Space and Airborne Systems. We are among the largest employers in North Texas.

Tomorrow, we are very pleased to welcome you to our McKinney facility, where two of our businesses are represented: Network Centric Systems and Space and Airborne Systems.

First, I want to welcome our prospective members. I have been associated with AIA for many years, and I am honored to be chairman this year, and I think you will see that this organization has great value.

To those who are already members, welcome back!

I have a few opening thoughts about 2006 and a few of AIA's key issues for our industry, and then John Douglass will do a deep dive with you about the industry and the environment.

AIA accomplished a lot last year. Let me touch on some of the highlights:

- In the legislative arena, four long-sought measures were enacted:
  - Re-establishment of the Research & Development tax credit, which is critical to proper investments in new technologies;
  - Extension of the Export-Import Bank's charter, which is important to many who have international suppliers and customers;
  - Passage of the U.S.-India Civil Nuclear Cooperation Initiative, which helps open a large market;
  - And a bill creating a task force to assess the aerospace workforce, a subject that a number of us in this organization feel very strongly about.
  
- AIA helped the industry move forward in other areas:
  - AIA led a coalition of defense-related associations to ease legislative preference for domestic specialty metals, such as titanium, in defense products. There was some progress toward making the specialty metals restrictions more workable for our industry.
  - AIA strengthened our relationship with DoD decision-makers, particularly in acquisition reform.
  - AIA led a 30-member trade mission to India – a first of its kind in this emerging market.
  - And AIA led an international ethics initiative, which resulted in a commitment from our counterparts in Europe, Japan, Brazil and Canada to try to establish a common set of international business ethics for a level playing field.

What about 2007? AIA has a Top 10 list of priorities for 2007. In the interest of time, I will focus on three of the top priorities.

And then I want to talk briefly about a long-term issue for AIA that I am actively engaged in -- and that I know others in our industry care deeply about as well: the future of the aerospace workforce.

One key issue is the need to modernize Export Controls. While our industry is becoming increasingly global, our export-control system still reflects a bipolar, Cold War view of the world -- and this is counterproductive.

We all agree that controlling U.S. technology to keep it from falling into the wrong hands is essential. And we all know what's at stake in making sure we don't let down our guard.

However, the global war on terror also requires close cooperation and interoperability between the U.S. and our friends and allies. To achieve this, we need to streamline the process for sharing technologies and data with our partners in a timely manner.

On the civil side, we face a similar challenge around "dual-use" technologies. Here, too, the desired outcome is balance: to have strong export controls on technologies that can truly provide a military advantage, while not blocking technologies that are commonly available from other manufacturers around the world.

AIA will work with the Administration and the new Congress to achieve the balance that is needed. This is not an easy one, but it deserves our attention.

Another key issue is to promote acquisition excellence at the Department of Defense (DoD). Growth in the cost of military systems has been a problem for many decades. It is a problem for government, industry, and the taxpayer. Government and industry must work together because the problems lie on both sides of the fence.

If DoD resources are used more efficiently, it will likely create more opportunities for the aerospace industry. Improved performance will also lessen the likelihood of punitive actions by the government, such as excessively restricting award fees. And successful reforms will migrate to other agencies we care about, such as NASA and the FAA.

And a third key issue is to advance ethical business practices worldwide. First and foremost, good ethics develops a bond of trust between us and our customers. This is simply good business.

We also all know that unethical business practices can lead to suspension or debarment from federal contracts, that they hurt reputations, and that they break the bond of trust with customers.

Because our industry is global, it is in everyone's interests to have agreed-upon principles, standards and practices that are followed internationally. This will ensure a level playing field. And, as I mentioned before, last summer's agreement with our industry-association counterparts in Brazil, Canada, Japan, and the European Union was a noteworthy first step toward this goal.

In addition to these issues, I'd like to call attention to another looming matter: the future of the aerospace workforce.

The Census Department projected that 7,918 Boomers were turning 60 each day in 2006 – or, as the Bureau reminded us, just to rub it in: 330 an hour. While this

may not be a problem right this second, when we look into the future, we see that we need to do something -- especially with respect to technical talent and the significant percentage of work requiring security clearances.

Not only will our industry be looking to replenish its workforce – so will the government -- at the same time. We've got to help develop the next generation of engineers when they are still in their formative years – in middle school -- and make sure they sustain their interest in the gating fields of science and math through high school, college, and graduation.

Unfortunately, in 2005 only 30 percent of eighth-graders scored proficient or better in math on the National Assessment of Educational Progress by the National Center for Education Statistics. And according to international studies, while US eighth graders rank 15<sup>th</sup> in math achievement, by the time they graduate high school, they score near the bottom of all industrialized nations.

Industry has a big part to play in helping to create and sustain student interest in science and math. A number of AIA members, including my company, are working to foster this interest. And we're having some fun with this too. I'd be happy to share our experience, and I would encourage our organization to keep this on the front burner.

That concludes my remarks, and I would be happy to take any questions you may have.