



AIA 48th Annual Year-End Review and Forecast Luncheon
Wednesday, December 5, 2012
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Aerospace Industries Association
Remarks as prepared for delivery

Good afternoon. I'd like to thank the Communications Council for your great work this past year and congratulate a real pro, Dave Shea, for receiving the Lyman Award. Dave, this was a well-deserved award.

Let me get right to it by making a few comments about the fiscal cliff and the negotiations that are taking place as we speak.

On Monday, more than 100 of our industry's leaders sent a letter to President Obama and congressional leaders, urging them to work together on a deal to avert sequestration and adopt a balanced approach to the country's long-term fiscal challenges.

This is just the latest communication from our industry on the dangers we face from sequestration. More than a year ago, we were sounding some of the first alarm bells about sequestration. Back then it must have seemed to lawmakers that there was all the time in the world to find a solution. The cliff was miles and miles away.

Yet here we are, with the clock counting down to the low double-digits and the edge of the cliff coming into view. Not only are we running out of time, we're running out of metaphors. For an issue that's been called everything from a "self-inflicted wound" to a "Satan sandwich," this could be a real tragedy. How else can we describe the situation we find ourselves in today?

For our part, we've always relied on the facts. We have shouted from every rooftop, but using highly credible analysis to warn about sequestration's impacts to national security, U.S. space programs, air transportation and the economy.

We have reminded elected officials and the public about the cuts our national security establishment is already absorbing – \$487 billion to be exact dictated in last year's Budget Control Act. We've pointed to the calamity that another \$500 billion cut to defense will represent. And we have explained the losses our nation will face by squeezing NASA, NOAA and the FAA.

But for the record, I'll repeat it again for folks at the negotiating table down the street. Here's what we're facing under year one of sequestration: the loss of 2.14 million jobs, GDP reduced by \$215 billion, a 1.5 percent uptick in the unemployment rate and the risk of turning the U.S. economy back into a recession.

The time for clever metaphors has passed. The time for real work, real negotiation and a real solution is now.

As we look at the 2012 numbers for our industry, which remain encouraging despite the headwinds, it is far too easy to conclude that the companies, workers and communities that comprise this industry can withstand anything; that they can adapt to any change, no matter how sudden or harmful.

But we know from experience that funding cuts and program cuts have a real-world impact. And as we look back on 2012 we should also begin to question whether some of the critical capabilities provided by this industry will still be there when we wake up in a year or two.

There is perhaps no more dramatic example of our industry's indispensable role than what happened in October when a perfect storm named Sandy developed from a tropical wave in the western Caribbean Sea.

For days, Hurricane Sandy wound its way up our Atlantic coast, looking to take a harmless track out to sea. But weather models consistently predicted a sharp left turn and turn she did, becoming one of our nation's deadliest storms.

The accuracy of that prediction, including the highly-accurate forecast for landfall, was made possible in part by NOAA's polar orbiting satellites.

But astoundingly, NOAA's weather satellite program will take a significant hit under sequestration. This will create the potential of dangerously extending the worrisome coverage gap for these satellites that begins in 2017.

To underscore this point, European forecasters ran a test model of Sandy's path without polar orbiting satellite data, just to see what the data would show. They were shocked to find that the storm's left turn – predicted accurately in the five-day forecast – was completely absent without the polar satellite data.

Can you imagine the loss of life that could have resulted from such inaccuracy? Evacuation orders would have lacked credibility, preparation would have been nearly non-existent and the storm's eventual path would have been almost a complete surprise.

That's not the only aerospace contribution during and after Superstorm Sandy worth mentioning. Who can forget the incredible images of the New York City Police Department's Helicopter 23 rescuing families on top of Staten Island rooftops about to be overcome with floodwaters? That helicopter was named, incidently, for the 23 members of New York's finest who lost their lives on 9/11.

And after the storm, our industry enabled some of the first responses that allowed the recovery to begin and our democratic processes to go forward.

Following Sandy's landfall, the sounds of U.S. Navy helicopters and Air Force C-130s above places like Hoboken, New Jersey and Newburgh, New York were welcome signs of help on the way. Our aircraft flew in power generators, blankets, food, beds and medical personnel. U.S. airlift capabilities allowed the delivery of 1.3 million meals to New York City within days of the storm's passing.

Also, equipment from America's "arsenal of democracy" was even used to preserve American democracy, as the National Guard set up temporary polling places in storm damaged areas. They were there as one politician put it with nothing more than a "well-situated guardsman and a bad sign saying 'vote here.'"

These are the stories that make us proud to be Americans and proud to be a part of this great industry.

And yes, it's an industry that remains healthy despite the obstacles. For evidence of this, I encourage you to review the 2012 numbers in the year-end report provided in your packets or on our website.

Let me briefly give you the highlights. The U.S. aerospace and defense industry continued to be one of the bright spots in the 2012 economy. When we close out the year, overall sales are projected to increase by 3.4 percent from \$211 billion to \$218 billion, aided by strong civil aircraft sales. And there's good news for 2013. Shored up by commercial aircraft, estimated sales for next year are right at \$224 billion. This year export growth was solid, rising from \$85 billion in 2011 to an estimated \$96 billion. And employment is up slightly from 625,000 in 2011 to a projected 629,000 in 2012.

Looking ahead to 2013, sequestration notwithstanding, we have a lot of work to do to ensure the long-term health of our industry.

In civil aviation, implementation of NextGen is critical if our country is to handle the growth in air traffic and meet industry goals for lower emissions. NextGen is also important for the integration of unmanned aircraft systems into U.S. airspace. Growth in UAS in our civil air space sector is continuing – for law enforcement, traffic management, forest fire and wildlife monitoring and a variety of other useful tasks.

We also need a level playing field in the international marketplace for aerospace and defense products. That means our nation must adopt a proactive export strategy. At a time when other nations are aggressively promoting their country's technologies and platforms, the U.S. must update existing control regimes and actively support U.S. companies on the global stage.

For military exports, we are very pleased with the progress made this year to update the U.S. Munitions List and we believe Congress will soon act to give the President authority to remove commercial satellites and related components from the list. This year we also rolled out key elements of a proposed National Defense Export Strategy, which would unify U.S. export policy and establish more effective collaboration between government and industry.

In 2012, a year in which we bid farewell to two great space pioneers, Neil Armstrong and Sally Ride, NASA's incredible Mars Curiosity Rover gave us a glimpse of the landscape that future astronauts will explore. As we prepare for this next era of human space exploration, we must advance our efforts to reduce gaps in U.S. human spaceflight capabilities. The idea of continuing to run up \$60 million dollar tabs to Russia in order for our astronauts to get rides to the International Space Station leaves me as cold as a Siberian winter.

Let's turn to national security. On the military side, it's critical that we continue to see government support for R&D, ensuring ongoing superiority in technology and capabilities over potential adversaries.

In this regard, Congress must pass the R & D tax credit. It pushes innovation and propels our companies' investments like few things can. But our national security really is at the heart of a concern that will linger even if a deal is reached on the fiscal cliff –

call it, the “day after” effect of sequestration, or, if you’d prefer, the “sequestration hangover.”

Whether a solution is found or not, we will have to ask: what message did sequestration telegraph to the world about our country, our commitment to national security, our commitment to economic prosperity and our commitment to the next generation of defense and aerospace innovation?

The fact that the world’s arsenal of democracy has been relegated to the status of political bargaining chip is difficult to fathom. I am even more concerned about the long-term consequences for our country’s leadership position in terms of global security, technology and economic strength.

In George Washington’s first address to Congress he memorably said, “To be prepared for war is one of the most effectual means of preserving peace.” But even George Washington’s wisdom offers few clues about how a nation prepares for war in times such as these.

Do we wait to ramp up defense spending only when a crisis is upon us, allowing for significant defense cuts in times like these when our nation needs to get its fiscal house in order?

I think we all recognize that a new reality has emerged, in which the traditional cycles of mobilization and demobilization no longer apply. Today, our adversaries strike without warning – and on battlefields we hardly recognize – in cyberspace and against civilian targets using unimaginable tactics.

We no longer have months to watch armies mass along borders or to contemplate increases in arms production abroad before we prepare a response.

Instead, we prepare for the next conflict by ensuring our sustained technological superiority over current and potential adversaries.

There will probably never again come a day when we ask Detroit to retool auto plants for making airplanes, but we are asking the nation’s best and brightest engineers, programmers and scientists to choose careers that keep us on the leading edge of national security innovation.

Retooling to prevail in the current century means fostering and sustaining a generation of innovators – a feat accomplished over decades and sustained over a lifetime.

Retreating from that commitment, strategically and financially, means we will lose years, not months, in the technology race against others who are even today doubling down on their investments to match or surpass our capabilities.

With this in mind, we must work harder to develop our future aerospace and defense workforce. Our industry has a longstanding commitment to excellence in STEM education and that will continue.

But first, in the short term, we must avoid the fiscal cliff. More and more, it looks like we’re getting closer and closer to a “Thelma and Louise” moment, when we careen off into the void.

If you think that sounds crazy, all you have to do is read a paper in the past week and see that there are still folks out there who think we should just let it happen.

Well, I have a better idea. Let's turn this this tragic leap into a BASE jump. All we need is a parachute.

After André-Jacques Garnerin (*An-drey Jocks Gar-ner-in*) tested the world's first parachute over Paris in 1797, he wrote that "I felt myself precipitated with a velocity that was checked by the sudden unfolding of my parachute."

Well, that's the same sensation we want to experience before January – the feeling that the velocity created by partisanship, discord and disagreement on the issues can be checked by bipartisanship, collaboration and a finding of common ground.

That's the best chance we have for smartly addressing our country's current fiscal situation, and for confronting our long-term economic and defense challenges.

Thank you and with that I'll be happy to take your questions...