AEROSPACE INDUSTRIES ASSOCIATION

SECOND TO NONE

National Security

ISSUE: The aerospace and defense industrial base is in danger because weapons programs have dramatically diminished in number and frequency.

BACKGROUND

As World War II ended and America emerged as the leading economic and military power, it soon became clear that the postwar world would require a different military. The new paradigm required an increasingly specialized industrial base separate from the general manufacturing and technology sectors. The result was a large industrial base that used competition and innovation to design and build the wide range of weapons that defined American military capability for more than 50 years. In fact, that industrial base was so capable and successful that even today many believe that the market will ensure a healthy industrial base, one that is capable of providing whatever capability and level of technology is needed, whenever it is needed.

But that industrial base no longer exists. In 1993, the Pentagon instigated a tidal wave of defense company consolidations. In less than a decade, more than 50 major defense companies became six.

At the same time, Pentagon weapons acquisition policies have had the effect of reducing the numbers of weapons systems, thus producing fewer new starts that are spaced further and further apart. Moreover, there are fewer system units produced in each program. These trends have led to substantial changes in the size and structure of the aircraft industry in the United States. A particularly dangerous long-term consequence of these trends is the probability that the aerospace workforce will continue to decline in size and that the young talent currently in the industry will depart for more challenging technical and career opportunities.

The Defense Department has recognized that these trends pose a threat to America's longtime dominance in aerospace. In its 2010 Industrial Base report, DOD expressed concern that while there is long-term risk to the aircraft industrial base from further consolidation of companies, the immediate risk comes from atrophy and the potential loss of key design and development capability.

This outcome could be closer than many think. For the first time in 100 years there is no new manned military combat aircraft or rotorcraft in design in the United States. That is not surprising to those who monitor the aerospace industry closely, but it is likely to shock the American people who have long taken for granted American dominance in aerospace. If the current trends continue will the aerospace industry be able to respond in a timely and effective manner to future aerospace and defense needs? We believe that the industry may not unless policies are adopted to preserve a minimum effective capability to design, build and support militarily unique weapons.

AIA RECOMMENDATIONS

In order to assure a capable aerospace and defense industrial base, this strategic asset must be regarded as unique and irreplaceable. Accordingly, the government must:

- Institutionalize aerospace and defense industrial base considerations into the strategic planning processes, such as the National Security Strategy, the National Defense Strategy and future Quadrennial Defense Reviews;
- Continue an effective Secretary of Defense-industry CEO dialogue;
- Recognize that capability depends on having programs that require companies to design, build and support militarily unique technologies; and
- Maintain a predictable and stable defense budget at no less than four percent of GDP, and maintain the research and development and procurement accounts of the defense budget at no less than 35 percent of that defense budget.