



**"Second to None - Maintaining U.S. Aerospace Leadership"**

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**Regional and Supplier Management Council Summer Meeting**

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Thank you, David for your kind introduction. I'm delighted to be here for the first-ever combined Supplier Management Council and Regional Meeting. I don't need the numbers to tell me that this is a real success – I can just look out at the crowd. But, for your reference, we have 180 attendees here today – and a great mix of our regular and associate members.

I'd also like to thank Embraer for hosting the meeting – they have gone above and beyond to bring their senior leadership from Brazil to meet with us all. I want to personally thank Gary Sprulak, David Baloff and Alyssa Ten Eyck.

Embraer has been in Ft. Lauderdale for more than 30 years. They've recently opened a new manufacturing facility in Melbourne that you'll have an opportunity to visit on Friday. The facility will be the final assembly site for the Phenom 100 and Phenom 300 business jets – the first airplanes to be assembled by Embraer in the United States, scheduled to be delivered before the end of the year. What a tremendous success story.

The ramp up of production by Embraer at Melbourne is adding employment to Florida at a time when the ranks of aerospace employees are being caught in the crosshairs of the retirement of the

shuttle program. In fact, I understand that some of the engineers and technicians Embraer has hired are former NASA employees.

Embraer is also helping to bolster our industry in another way. One of their Phenom 100 jets belongs to Purdue University and is used in business travel to allow students in the professional flight technology field to graduate with a jet flight rating as part of their undergraduate experience.

These are great examples of how one AIA member company is helping address issues affecting the health of the U.S. aerospace and defense industrial base. And, I bet if I were to ask for a show of hands, many of you would have similar examples of what you are doing in your communities to help strengthen our industry.

However, we're going to have to redouble our efforts in a new and unprecedented way. We're facing strong headwinds and stark choices that boil down to one big question:

Will we give America a future filled with promise by continuing to invest in U.S. leadership in global aerospace, or will we consign aerospace to the list of great industries that America once led?

Consider this:

- One half of U.S. aerospace engineers are eligible to retire come 2015. America is simply not producing enough new engineers to replace them—and preserve and build on the base of knowledge and expertise they represent.

- For the first time in 100 years, the U.S. has no new manned military aircraft in design. As a result, America risks losing design and development capabilities that will be hard – if not impossible – to restore.
- Just last week, we witnessed the retirement of an incredible national capability – NASA’s space shuttle. We’re laying off thousands of space workers and now have to turn to Russia for a ride to the International Space Station for \$60 million a pop — the cost of hiring 1,000 U.S. engineers for year. Where would you rather be putting our money?

And, on top of that, the official statement put out by Russia’s space program after the landing of the Atlantis said, “From today, the era of Soyuz has started in manned space flight...”  
Really?

- Despite the fact that the U.S. doesn’t have a coherent defense industrial base strategy, we continue to deliver overwhelming battlefield advantages through advanced weaponry to our troops. We see concrete examples of the returns on our defense investment every day – air superiority aircraft in the skies and troops standing strong with the best technology in the world. And I know, Americans don’t want it any different.

Jim Albaugh, president and CEO of Boeing Commercial Airplanes and AIA’s chairman, sums up America’s predicament well. He calls it “intellectual disarmament,” which – combined with reduced R&D spending – risks surrendering our lead in all sectors of our industry – civil, space and defense.

Some of you may have been at the SMC meeting earlier in the year or have seen information from AIA about a new initiative we’re launching to build support for our industry – aptly called Second to None.

And while the examples I cited are disturbing, we have even more to worry about in Washington with the debt-reduction discussions. Now we all recognize the severity of the fiscal crisis and the need for sacrifices to resolve it. But the challenge, of course, lies in making wise, well-informed decisions that minimize harm to our future competitiveness and global leadership.

Former Defense Secretary Gates observed that “the simplest and most politically expedient approach” to meet budget targets is by “taking a percentage off the top of everything.” That approach – the so-called “salami approach” –resulted in the “hollow Army” after Viet Nam, leaving our nation at the turn of this century with an inventory of aging and worn-down military equipment.

We simply can’t afford for that to happen again but just look at some of the rhetoric coming from all quarters in Washington.

President Obama has called for \$400 billion in defense cuts over 12 years and has gone on to say that he’s willing to cut hundreds of billions more.

The bipartisan Simpson-Bowles Commission recommended nearly \$1 trillion in defense cuts over a decade and Senator Tom Coburn has proposed a similar plan.

At a symposium last week in Washington, Defense Undersecretary Ash Carter, told the audience that more big weapons systems were on the cutting block.

And I thought the Defense Department has already paid at the office, so to speak, with \$178 billion in reductions, doubled to \$400 billion by 2023. Without a clear strategy and approach, we’re at risk of cutting way into the meat and backbone of our national security.

Even the Chinese are weighing in our budget. When Admiral Mullen visited China recently, his equivalent suggested that the U.S. could reduce its military spending, and spend more on improving the livelihood of the of the American people and doing more good things for the world.

And it's not just defense that's in the crosshairs.

FAA's program to replace our antiquated air traffic control system – The Next Generation Air Transportation System – or NextGen was put on the skids last week when the Congress couldn't come to an agreement on the FAA reauthorization bill.

Why the Congress would risk taking \$200 million a week in revenue from ticket taxes at a time we're struggling to balance the budget is beyond me. NextGen is a no brainer – our current system costs \$40 billion in lost economic activity – real money in today's tough economic times.

And, one day after President Obama visited Alcoa last month, lauding the company as a bastion of high-technology manufacturing, the president once again criticized the use of corporate jets. Our general aviation industry has lost approximately 20,000 jobs since 2008, hurting a vital manufacturing sector and the hundreds of small and large businesses that depend on these aircraft. And much of that is attributable to this Administration's rhetoric.

Both NASA and NOAA are taking cuts to their fiscal year 2012 budgets. A subcommittee vote chopped 10 percent from the president's budget request. And NOAA was cut 18 percent – or \$1 billion – in a year when storms have already taken hundreds of lives, underscoring the need for accurate forecasts and replacing our aging weather satellites..

So with this in mind, let me tell you more about our campaign – Second to None. We're going to need all of you to roll up your sleeves and get involved. We've got to meet with our members of

Congress and we've got to have our employees and community involved. It's critical that we explain the contribution of our industry and your companies to our nation's security and economy.

You're going to hear a lot more about the campaign during this meeting. But in short, we'll be using media, op-eds and one-on-one meetings with members of Congress in Washington and in your districts back home. A website – [www.SecondtoNone.org](http://www.SecondtoNone.org) has been launched – and will be the go-to place for information and updates. We're also sponsoring a number of studies and events by think tanks and have a state-by-state economic impact study in the works.

I've made more than 50 visits to members of Congress this year. I hear over and over again that they would like to see your plants and know more about our industry. It's advice echoed at our Board of Governors meeting in May by commentator Charles Krauthammer.

Charles saluted our industry for its patriotic mission in providing the most advanced technology to our soldiers. "You keep us safe in a way never seen before," he said.

His advice: go out and talk to members of Congress, including the freshmen and Tea Party members. And here is exactly what he said: "They will go either way until you talk to them."

Which brings me to National Aerospace Week – September 11 through 17. The March to the Hill on Tuesday, September 13, is a critical pivot point for our campaign.

National Aerospace Week is the opportunity to rally our industry and meet with your representatives in Washington, D.C. and in your districts using industry messages as a common umbrella as you talk about your programs and your facilities and employees.

For our Supplier Management Council members, we went through a lot earlier this year planning and strategizing on how to get you more involved and be a significant player at AIA. This is the time to take this effort to the mat and show what you can do. You are nimble and you understand the consequences of not acting more than most.

The good news, is that a lot of Members of Congress are supportive of our industry. In a letter signed by 50 members and sent to the president last week, grave concern was expressed about the defense budget being part of the debt ceiling negotiations.

There's a lot of work to be done and when I look at the road ahead, frankly, I'm worried. The aerospace and defense industry is a perishable national asset. And, this budget fight isn't going to end at the end of this year or the next – it's going to stretch well into our future.

I'm confident that we can continue to offer young Americans a great future. But we need to work together to help Congress make the best decisions to sustain American aerospace leadership and keep us Second to None.

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