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Hosted by Northrop Grumman**

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*Remarks as prepared for delivery*

Good morning. I want to thank you all for attending the AIA regional meeting and taking the time to share valuable information about our association and our industry. I really look forward to these gatherings because they provide a great opportunity to interact with so many of you directly and take the pulse of what is going on with our member companies. So it's great to be here with you today.

Speaking of our member companies, I want to offer our sincere thanks to our host Northrop Grumman. I know we all thoroughly enjoyed the tour of the amazing Space Technology facility yesterday. With all the talk of microelectronics, spacecraft, and outer galaxies, I swear I thought George Lucas was going to walk around the corner at any minute! Northrop Grumman is really doing some extraordinary things there, and we appreciate the opportunity to visit.

It's fitting that Northrop Grumman is hosting this regional meeting, because the company is one of the most engaged and active within AIA. Dr. Sugar was AIA's chairman two years ago, driving an ambitious agenda and serving as the public face of our entire industry. And, of course, on an on-going basis, Northrop Grumman's representatives in Washington help set the agenda for AIA's advocacy activities, working closely with many of you. Just recently, I had the opportunity to address a joint meeting of Northrop Grumman's international divisions, and these folks are very proactive on AIA activities on issues like export controls and international ethics. For any new members attending today, or those of you looking to become more

active in AIA and our industry, I would suggest using Northrop Grumman as an example of how to do it right.

I would also like to acknowledge our dinner speaker last night, Gen. Robert Magnus. I think we all enjoyed his insights on the relationship between our industry and the U.S. military. I trust that most of you, like me, found it fascinating and very informative.

I know there are some new members with us today, as well as some potential members. Therefore, I'd like to just briefly explain a bit about AIA. Of course, we're the premier trade association representing the aerospace and defense industry in Washington D.C. Our advocacy efforts concentrate on Congress and the administration, including the Pentagon, NASA and other agencies. We cover all three sub-sectors of our industry – national security, civil aviation and space, and represent companies of every size. Our Supplier Management Council works on issues specific to the supply chain and the needs of those companies. Additionally, AIA works on government procurement and finance policies and provides assistance for industry technical operations. You will find a handout of information about AIA in your background packets, and please don't hesitate to ask me or any of the AIA staff if you have any questions or would like further information.

Today I'm going to talk about a topic that, I think, is of great interest to all of us here: the state of the aerospace industry, and the likely impact of the economic environment will be on our companies.

But before I get into that discussion, I wanted to mention that today just happens to be the anniversary of one of the most impressive feats in the history of aerospace; specifically military aviation. On February 20, 1942, Lt. Butch O'Hare and just one other fighter pilot were the only ones available to respond to a second wave of Japanese bombers attacking the aircraft carrier Lexington in the Pacific Theater. The rest of the fighters were on their way to intercept an earlier group of incoming bombers.

O'Hare and his partner encountered no less than nine Mitsubishi G4M "Betties" closing in on the ship, and the situation became even more serious when O'Hare's wingman discovered his 50 caliber guns had jammed. With limited ammunition, but a dead-eye shot, O'Hare shot down five of the Betties and severely damaged a sixth before they reached the bomb release point. All the bombs missed the Lexington, prompting the captain to say

O'Hare saved the ship from serious damage, if not being sunk outright. O'Hare became a flying ace with just one mission and earned the Medal of Honor from President Franklin D. Roosevelt. It was truly an amazing feat, and a few years later, they named a certain airport in Chicago after the Lieutenant.

This anniversary comes as our nation is confronting a different threat, but one that is every bit as serious as a formation of enemy aircraft closing in. The economic hardship that has gripped the United States – and the world – is having an impact on every industry, including our own. Fortunately, our industry is better positioned than most to ride out the economic storm, but it is affecting us nonetheless.

Let me give you a quick rundown of where the aerospace industry stands today. We ended last year with the good news that some of our most important economic indicators are strong. We had \$204 billion in total sales, which represents modest growth compared to recent years, but still sets a new record. Our industry also had \$99 billion in exports, leading to a positive foreign trade balance of \$61 billion – the largest of any U.S. manufacturing sector.

Employment was another positive, despite some announced layoffs at the end of the year. The average for the year was 655,000 workers, representing a gain from 2007. Now, this is an area we're watching very closely, since we have seen further layoff announcements as well as expectations of slowing production lines.

Even so, this statistical category shows strength in our industry when you consider many other sectors are suffering job losses by the hundreds of thousands.

What are the reasons for our position? As you may know, funding levels for DoD are set for fiscal 2009; and space funding, through NASA, will remain steady under the continuing resolution that is in place until March. The information we have seen suggests the omnibus spending bill Congress is taking up will keep space funding about the same. While ideally we would have liked to see a bump-up in space funding, at least we don't anticipate any cuts at this point.

At some point the folks in Washington are going to take a look at the fiscal 2010 budget – I've been in that town too long to venture a guess when

it will come out! But when you take a look at our national security needs and policies from the Obama Administration and congressional leaders, we don't anticipate a reduction in the defense budget top line from fiscal 2009 levels.

However, there is a possibility that funding could move around within the overall defense budget, affecting some individual programs. We are more concerned about future investment in space, as the new administration continues to work on its overall space policy.

Which leaves us the last sector of aerospace – civil aviation – to discuss. Obviously, this one's a little more difficult to put your finger on. The economic circumstances have hit the airlines hard, with demand falling significantly. This has translated to some deferrals and cancellations of aircraft orders. The general aviation manufacturing community – particularly business jets – has been hit hard by the economic circumstances, with deliveries and demand falling significantly. While all this is clearly bad news, large airframers have a bit of a buffer because years of record levels of orders have resulted in a huge backlog. So the expectation is that this segment of our industry can come out of the economic challenges in a relative good position in spite of the hardships.

I must say that we are in unfamiliar territory when it comes to the economy. So, like everyone else, we are hoping that things turn around as quickly as possible, and we're working hard to affect that.

We are opposing protectionist "Buy America" laws, unnecessarily restrictive export control requirements and burdensome additional acquisition regulations. And for things like adequate defense funding, NASA support and speeding up the NextGen air transportation system.

Keeping on the Washington theme, I'd like to give you an update on some specific activities in our nation's capital. Obviously, it has been an eventful beginning to the year, and AIA has been extremely busy advocating for our industry.

Most of us are probably aware that Congress just passed a major stimulus bill aimed at jumpstarting the economy. We were active throughout the process of the crafting of the bill, pointing out areas within our industry that could boost our economy with some direct investment. As is usually the case in Congress, we didn't get everything we advocated for, but we got some. The bill included investment in NASA for research and development,

Earth sciences and other worthwhile projects. In fact, our host Northrop Grumman and its supply chain will benefit from the bill as millions are invested in climate monitoring satellite systems.

The bill also invests in aviation infrastructure projects, namely several billion for airport improvements.

One of AIA's major activities the last few months, which is related to both budgeting and the economy, has been an outreach and advertising campaign. It is very rare for AIA to undertake direct advertising on behalf of the industry, but the extraordinary economic atmosphere warranted a strong proactive approach. The campaign, which is ongoing, carries the tag "Aerospace and Defense: The Strength to Lift America." It emphasizes the important role our industry plays in the U.S. economy as well as national defense. The goal is to convince lawmakers and the administration that our industry is a major stimulus to the economy and should not become a bill payer for other sectors that are asking for government bailouts.

I think it's in these trying economic times that an organization like AIA particularly shows its mettle and its value to members. We are well aware that companies are cutting costs these days. But it's clear that it is in economic hardship that membership in AIA makes even more financial sense.

Your dues are not only an investment in high-level advocacy in Washington D.C., but the ability to influence what we work on and why. Additionally, we provide comprehensive industry information and tools you can use to guide your business decisions and help ensure financial viability.

We're concentrating on space during this regional meeting, so we'll use that policy area as an example. JP Stevens is going to address these issues and more in just a few minutes. So, JP, don't worry, I'm not going to steal your thunder – I'll just mention one thing. We recently released a new report – "The Role of Space in Addressing America's National Priorities." It lays out the role space plays in our national security, economy, environmental stewardship and many other areas. And it makes specific recommendations on how to handle space in the future. This is one way we directly influence policy and help shape the national debate. I know JP is going to talk about the report in more detail, as well as go over other space activities in just a few minutes.

AIA is expanding the basic services we offer members. One example of this is the new Legislative Update we have launched.

The regular e-mail alerts keep members up-to-date on all the developments on Capitol Hill that affect your individual companies, as well as our industry as a whole. They outline the substance of legislation and detail bill status and expected movement. A lot of these alerts will include specific steps members can take to help influence the outcome. We just launched in January, and have already had a lot of positive feedback on the alerts.

Another new service is a package of cyber security tools that will provide information about potential threats to companies' information technology infrastructure. The package includes instant threat alerts and information from several different sources. This is especially valuable to medium-sized and smaller companies that don't have large dedicated IT capabilities. AIA is selling this service, but it comes free with membership.

One more update about AIA is that we have finalized our Strategic Management Plan and are currently using it as a blueprint to guide our activities. This plan sets out specific focus areas, with goals and milestones. It helps keep us on point and adds a level of accountability that will help AIA be even more successful in the future.

I would encourage you to take a look at the plan on the AIA website or contact us directly for more information.

Before I close, I wanted to mention Butch O'Hare again. You may have noticed I didn't say what type of plane he was flying. Well, it was a Grumman F4F Wildcat fighter, made by one of our host's legacy companies. The story goes that workers at the Grumman plant in Bethpage, New York, where the plane was built were ecstatic that O'Hare carried out his feat in one of their Wildcats. So much so that they passed a hat and bought him Eleven-Hundred-Fifty cartons of Lucky Strike cigarettes with the money they collected. Even though O'Hare was an avid fan of a rival cigarette brand – Camel – he opened at least one of the cartons, deciding it was the least he could do after the gesture. He wrote a letter to the workers with an inspiring message: "You build them, we'll fly them, and between us, we can't be beaten."

That really drives home the importance of what we do in the aerospace industry. We provide the equipment and platforms for our military men and women, who in turn keep our nation safe and secure.

We have a unique and important role that goes beyond business ledgers, and AIA exists to ensure our industry remains healthy and strong. This united front is vital to our efforts in Washington D.C., and you – the members of AIA – are the reason we remain successful. As Butch O’Hare said, “between us, we can’t be beaten.”

Thank you, and I’m happy to take a few questions if we have time.

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