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As prepared for delivery

Good afternoon. It's a pleasure to be here today. I must say that the crowd is impressive.

I was in Wichita a couple of weeks ago and had an opportunity to join FAA Administrator Randy Babbitt during a visit to Spirit Aerospace. It was a terrific visit and I was particularly delighted that Spirit Aerospace — one of AIA's members — had an opportunity to showcase its technology and manufacturing prowess to the new administrator. Randy was in town in conjunction with Bombardier's annual Safety Stand Down.

And, it's great to see so many familiar companies in the "Air Capital of the World." I didn't realize until I started to get ready for this trip that Wichita has the distinction of producing more airplanes than any other city in the world. It's something to be justly proud of. And certainly a driver of that distinction has been the production of the Cessna Citation, which celebrated the 40th anniversary of its maiden flight last month.

That's why it is particularly important that the policies in Washington recognize the importance of our home-grown aerospace industry. I've been at AIA now for almost two years, and I've grown to appreciate how AIA is a nexus for the industry, bringing together concerns and issues from civil and general aviation, defense and space sectors of the industry. I hope to share some of our experience and our current insight with you today.

What's on everybody's mind these days — nothing new here — is the economy. It certainly is hard to put your finger on the pulse of it all because for one thing, experts certainly don't agree. However, there seems to be a ripple of encouraging news from a number of fronts.

According to the National Association of Manufacturers Labor Day report in September, the United States has lost 2 million manufacturing jobs

over the last 19 months, but it is forecasting an upturn over the next year and stronger growth in the 2011 to 2014 period. NAM's word for the state of play — “fragile.”

AIA's employment figures, which are aggregated from the Census Bureau, show that the aerospace manufacturing industry has lost approximately 20,000 jobs over the last year. But that's not the end of the story—invariably layoffs in our industry lead to job losses in other areas. I know that when you factor in the spin-off and multiplier impact, something like 30,000 jobs have been lost here in Wichita.

A couple of weeks ago, Textron officials Lewis Campbell and Scott Donnelly gave their report to the financial community and characterized the business aviation sector as “stabilizing” — remarks echoed by Gulfstream and Bombardier in their financial reports.

That's excellent and welcome news. Also, I think it's worth pointing out that the industry was in a very strong position before the economic tsunami hit: debt had been reduced, companies were diversified and the backlog was strong. That strong underpinning will certainly help as we make our way through these tough times and adjust to the changes ahead with the new administration.

And, certainly, no one knows that better than this crowd here, who saw a few remarks from the president and Members of Congress about automakers, take a hard swipe at an entire sector of the aerospace industry and the jobs of highly skilled, hardworking Americans right here in Wichita.

As this was happening in D.C. last year, AIA was in the midst of an advertising and advocacy campaign doing our part to bolster the industry. The initiative reminded the new administration and Congress that aerospace and defense is a proven economic stimulus and should not be considered a bill-payer for other sectors. The tagline of the campaign was “Aerospace and Defense - The Strength to Lift America.” From the recovery that is on the horizon for business aviation along with the basic fundamentals of our industry, there's no doubt about it — the industry behind aerospace and defense is a bedrock of American technology, innovation and economic strength.

I want to turn my comments to Washington and our challenges there. About half of the industry's over \$200 billion in sales are to the government: the Defense Department, NASA and FAA, so the pressures on government spending — the deficit, stimulus spending, war operations and the focus on healthcare reform — have a huge impact on us.

At the same time, I have a lot of confidence in the new team. From Secretary LaHood at Transportation, Randy Babbitt at FAA, Ellen Tauscher, Under Secretary of State, who is spearheading export control modernization, to the new team at defense — they are a solid team of committed professionals who bring a lot of expertise to the table. However, as I said, there are a lot of pressures and competition in D.C. and we have to be very forward leaning with our advocacy to make sure our voice is heard.

Focusing on defense for a minute, as you know, Secretary of Defense Gates remains on the administration team, termed a “hold-over” from the Bush administration. Probably, hold-over isn't the right word. He appears to have the utmost confidence of the president and an agenda to transform the way the Defense Department does business.

There are two points I want to make about the new defense team. First, we are extremely pleased that the dialogue between DoD and industry is opening up again after many years of having more of an arms-length relationship. As an example, this summer AIA released a study on the defense industrial base, and the door was wide open when we asked to meet with Under Secretary Ash Carter to discuss it

Speaking about the study, the bottom line is that in the past there really hasn't been an industrial base strategy, or if there has, it has been what I would call a Wal-mart strategy — you know, if you need something, just go down to your local Wal-mart and pick it up.

Our report encourages the department to take into account the changes that have occurred in industry over the past decade or so when planning for the future. After years of consolidation and our necessary focus on providing value to the stockholder, we want to make sure that DoD understands that the next time it has a strategic requirement from industry and it goes to Wal-mart, the shelf may be bare unless we work together to ensure we maintain the capabilities we need for the future.

We've had a very positive reaction to the study and are hopeful to see its thinking reflected in the Quadrennial Defense Review, the department's strategic planning document, which is due out later this year.

The second point on defense that I want to make has to do with the budget, and it's a piece of good news, at least for now. The top-line number for defense spending in the president's budget is about \$540 billion — that is almost 4 percent of GDP — about what we think the nation needs to invest in defense given the uncertain times that we are in.

However, part of Secretary Gates' agenda is to reassess how we prepare for different types of threats and the systems we buy to support our troops. You've probably heard the debate, and this gets back to the QDR: What do we need to be prepared to fight? The current administration thinking is that while we can't ignore the threat of conventional warfare, we need to increase our focus on warfare such as counter-insurgency and counter-terrorism. Along with that, we still need fifth-generation fighters, but there needs to be a different mix of systems, including more reliance on unmanned aircraft and aircraft with characteristics better suited to counter-terrorism and counter-insurgency.

This is leading to a new focus on buying systems that can be procured quickly, that are relatively inexpensive and are based on existing older platforms rather starting from scratch. An example of this is the newest air force combat aircraft procurement — a light fighter, which will be capable of strike, armed reconnaissance and advanced aircraft training for irregular warfare. The Air Force is planning to buy 100 of these aircraft by 2012. Even a revamped Mustang, a version of the venerable World War II P-51, is one of the candidates that might be entered into the competition.

Other examples are intelligence, surveillance and reconnaissance platforms for programs such as the Army Airborne Common Sensor. This type of requirement is likely to grow.

So my point here, is that the defense marketplace is changing and it's worth keeping an eye on.

I want to switch gears for a minute to talk about civil aviation issues that are front and center on AIA's plate. And since I don't want to be here till dinnertime, I'll just highlight a few of them.

The biggest challenge is funding for FAA. There has been a lot of debate and proposals on this, and as you know, with my previous hat on, I've certainly been front and center on some of them. I think the bottom line today is that we have to move forward, the funding system has to generate enough revenue to operate today's system and at the same time provide the capital investment to get us to the NextGen system. As an industry we have to advance a solution that works for all the users of the system.

The FAA has been operating under a series of continuing resolutions since 2007. This has had a particularly negative effect on NextGen as critical projects are delayed under funding extensions. We believe that to fully fund FAA and the capital expenditures necessary for NextGen, there needs to be a more significant contribution from the U.S. Treasury's general fund. General taxpayer support is appropriate for our national airspace system because all Americans benefit in one way or another from the services FAA provides.

We all know that NextGen is going to bring huge benefits to our transportation system, and we are even starting to see those benefits now as ADS-B and new operational procedures are starting to be deployed across the country. NextGen is slated to be fully deployed in 10 to 15 years, but I don't see why we can't accelerate implementation to 3 to 5 years. And what a perfect time! Traffic is down so disruption to the system will be minimal. And taking down old, outdated radar will be a huge cost saver for FAA.

However, the long-pole in the tent is equipping the civil fleet with the avionics necessary to fly in the system. And that includes airliners and business aviation aircraft. What will it take to equip our civil fleet and implement NextGen five or ten years ahead of schedule?

First, I think we have to change the way we look at aircraft equipage. It's just as much a part of our national airspace system infrastructure as airports, runways and satellites — all taxpayer paid for. And taxpayer dollars were used to help build our current air traffic control system. When you think of equipage simply as air traffic control technology on board aircraft and the huge economic and environmental benefits that will accrue once that technology is in place, government-supported purchase and installation makes a lot of sense.

If we're going to reduce the time it takes to implement NextGen, the obvious solution is to provide equipage options and incentives for operators to shrink the gap and reap the benefits of NextGen as soon as possible. Something like an infrastructure bank will accelerate NextGen's benefits without putting too much of a burden on our system's hard-pressed operators.

The good news is that Congress and the administration are starting to think along those lines. The President recommended and the House adopted language in its transportation appropriations bill to establish an infrastructure bank, which could support the aviation system among other sectors. We're working hard to make sure the Senate follows suit.

I'd like to touch on a couple of other important issues as I wrap-up. First, is the environment. Last week AIA attended an important meeting at ICAO that brought together many aviation stakeholders in an effort to make sure that the global aviation community agrees on emissions goals before the Climate Conference in Copenhagen in December.

This is important because we don't want to have a patchwork of conflicting requirements. We also want to make sure that we are responsible stewards of the environment and that we are able to meet our responsibilities in a manner that is consistent with national objectives.

The environment is just one of the many areas where we need to stand together as an industry on a global front in order to have a level playing field. A few weeks ago the press reported that the World Trade Organization had determined that the European government's launch aid to Airbus was not consistent with its rules.

From our perspective this is a positive action to ensure the long-term health of the global aerospace enterprise and achieve a level playing field that will allow the U.S. aerospace industry to succeed in the international marketplace.

On that front, a couple of weeks ago, Bob Stevens, chairman of AIA and CEO of Lockheed Martin Corporation, and Allan Cook, president of the AeroSpace and Defence Industries of Europe, and CEO of Cobham, signed a statement endorsing a set of Global Principles of Business Ethics.

The principles — developed by an AIA and ASD working group — establish a common framework for ethical behavior in a global market — addressing corruption, use of advisors, management of conflicts of interest and respect for proprietary information.

In today's global business environment, a common framework for business conduct is another tool to achieve a level playing field. The principles provide the industry assurance that the companies and countries we partner with have a similar commitment to ethical behavior.

In closing let me mention that last month AIA launched the first-ever National Aerospace Day on September 16 to spotlight the contributions of the American aerospace and defense industry. The House and Senate passed resolutions of recognition and President Obama wrote a congratulatory National Aerospace Day message. You have on your chairs the commemorative booklet we produced for the day.

We had a number of events on Capitol Hill including a march to the Hill by our supplier CEOs. And some inside-the-beltway advertising reinforced the tagline our campaign I mentioned, "Aerospace and Defense- The Strength to Lift America." We also encouraged our member companies to reach out and thank their employees, who are the true patriots of our nation, for their work day-in and day-out to make our industry strong. It was our first effort to do this, and we were delighted that by all accounts it was very successful.

Reminding officials about the two million-plus high-paying jobs across all 50 states that this industry supports is something we do on a daily basis at AIA, but having a day to really call it out has proved very important.

Let me close by reading the congratulatory National Aerospace Day message from President Obama, and I quote, "American-led research in applied science and technology landed men on the moon and inspired generations to believe that, if we set our minds to it, we can achieve anything. This inspiration has fueled the aerospace industry's contributions to our Nation, spurring innovation and the development of cutting-edge technology. Our leadership in aerospace has increased exports and helped us maintain our competitiveness in the global economy. As we continue to reach for the stars, let us recommit ourselves to excellence so that our children can realize what we only dreamt was possible."

I think that says it all. These words give me great encouragement that our voice is being heard in Washington and that by working together, we'll achieve our goals and indeed, reach the stars.

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