



UPDATE

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Aviation, Space Programs Benefit From Economic Stimulus Package

The economic stimulus package that President Obama signed in mid-February includes a number of provisions that benefit the aerospace and defense industry.

The AIA Legislative Affairs department spent the bulk of January and February directly engaged on the package, called the American Recovery and Reinvestment Act. The law includes direct investment in airport infrastructure and FAA facilities and equipment as well as spending for NASA space exploration and aeronautics.

Details of the stimulus package that affect aerospace include:

FAA Facilities

The package includes \$1.1 billion for the Airport Improvement Program to fund discretionary airport grants to repair and improve critical infrastructure in U.S. airports, boosting airport capabilities and safety.

There's also \$200 million for upgrades to FAA facilities and equipment. Some \$50 million is to upgrade power systems, another \$50 million is slated to modernize aging enroute air traffic control centers, \$80 million will go toward replacing air traffic control towers and terminal radar approach control facilities and \$20 million to install airport lighting, navigation and landing equipment.

NASA Aeronautics

The package has \$150 million for NASA aeronautics research and development, available until Sept. 30, 2010, for system-level research, development and demonstration activities related to aviation safety, environmental impact mitigation and the NextGen air transportation system.

Space Exploration

The allocation for NASA includes \$400 million for space exploration and

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Blakey Co-chairs Key Council for NextGen

AIA President and CEO Marion Blakey has been elected co-chair of the Institute Management Council, an organization of aviation industry leaders involved with development of the new U.S. air transportation system known as NextGen.

Blakey succeeds Phil Boyer, who retired as president of the Aircraft Owners and Pilots Association at the end of 2008. James C. May, president and CEO of the Air Transport Association of America, is the other IMC co-chair.

The council monitors industry involvement in Joint Planning and Development Office (JPDO) work on NextGen and with the NextGen Institute, which provides JPDO with private sector expertise, tools and facilities in developing the new air transport system.

"I'm excited about this opportunity to amplify industry's contribution to the very important modernization of our air transportation system," said Blakey.

The council oversees Institute contracts with industry for NextGen work. Also, the Institute process provides an expansive organizational

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AEROSPACE FOCUS



AIA Turns 90: An outgrowth of the role aviation played in World War I, the Martin MB-2 night bomber seen here was the first U.S.-designed bomber produced in large numbers. It was first flown in 1919, the same year that AIA was founded to represent the fledgling U.S. aircraft manufacturing industry. See more on AIA's 90th anniversary on page 5. (U.S. Air Force Museum photo)

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Viewpoint

Gathering Momentum for Acquisition Reform

Defense acquisition reform is one of those perpetual issues in Washington. There have been literally hundreds of studies over the last five decades that have looked at how the Defense Department goes about securing the goods that our fighting men and women need to be successful. There have been commissions, panels, assessments, reports and just about everything else you can think of aimed at coming up with solutions.

Sometimes these efforts have actually led to improvements. But — as evidenced by the constant interest in the topic — not one has led to the comprehensive changes needed.

That is why something that's happening right now is so remarkable. Momentum is gathering that could make comprehensive defense acquisition reform a real possibility for the first time in many years. This represents an extraordinary opportunity to improve the system. It's also a time for industry and government to come together in a partnership for positive change.

Why is the timing right? We have a new administration in place that is interested in an efficient and effective procurement system in DoD. We also have a new Congress with senior leaders who have a keen interest in improving the system. Perhaps most importantly, the economic circumstances we find ourselves in mean that any inefficiencies in the system are amplified.

Getting the best equipment for warfighters at the best possible price to taxpayers is more important than ever.

Recognizing that these forces are coming together, AIA has taken a proactive approach by making suggestions to improve defense procurement. We recently released a special report — “U.S. Defense Acquisition: An Agenda for Positive Reform” — that spells out the challenges and ways to address them.

The overall message is that the aerospace and defense industry supports major acquisition reform initiatives that make programs and requirements more stable, expand workforce skills and reward good performance. The industry must be involved in the process to make sure changes in the system actually work.

The report includes 14 specific recommendations to improve the procurement system. They are grouped under three main goals:

- Promote stability and fairness in contracting and financial policy.
- Promote reform of major elements of the acquisition system.
- Promote the competitiveness and efficiency of the aerospace and defense industry.

It's worth noting that the first goal is something that comes before the actual act of procuring equipment. Stability is the absolute key to making acquisition efforts successful for both DoD and defense contractors. This not only would promote stability in budgeting from year to year but also would encourage consistency in the requirements included in a contract — essentials that often become moving targets.

Providing the equipment that keeps our fighting men and women safe and allows them to be successful in their efforts is the most important role and responsibility we have as an industry. We need an acquisition system that can serve this function in a timely and efficient manner and ensure that the U.S. military remains the best equipped in the world.

A bill recently introduced by Senators Carl Levin (D-Mich.) and John McCain (R-Ariz.) addresses acquisition reform and many of the same concerns manufacturers have. We look forward to working with the Senate as the bill moves forward.



“Getting the best equipment for warfighters at the best possible price to taxpayers is more important than ever.”



Marion C. Blakey

Washington Watch

Repair Station Issue Could Delay Bilateral Aviation Safety Agreement

AIA is concerned with possible economic consequences if a delay occurs in implementing the U.S.–European Bilateral Aviation Safety Agreement signed last July.

The agreement was supposed to go into effect this year, but it's caught up in a legislative dispute concerning the oversight of foreign repair stations used by U.S. airlines.

Implementation of the bilateral pact is important for economic and efficiency benefits involving aircraft testing and certification. The agreement is even more critical as industry awaits the European Aviation Safety Agency's extension of scope covering international transportation issues.

The repair station issue affects U.S. and European manufacturers as well as the airline industry. Proposed language in the House FAA reauthorization bill would severely impact the hundreds of small businesses making up the U.S. aviation maintenance industry and their thousands of employees.

The bill would require frequent inspections of European repair stations by FAA — and the same of U.S. stations by EASA — creating an onerous and expensive burden.

AIA Source: ranee.carr@aia-aerospace.org

Consider Aerospace Strengths, Rockwell Collins CEO Tells Congress

Rockwell Collins CEO Clayton M. Jones encouraged the House Transportation and Infrastructure Aviation Subcommittee last month to consider the vital economic role of the civil aviation and aerospace industries when developing government policies.

Jones testified on behalf of AIA, the Aeronautical Repair Station Association and the General Aviation Manufacturers Association. Jones was chairman of AIA's Board of Governors in 2008 and is a member of GAMA's Board of Directors.

Among his recommendations, Jones emphasized a need to make progress on FAA reauthorization legislation. Implementing a long-term FAA reauthorization bill, he said "will provide critical direction from Congress and allow the new (FAA) administrator to focus ... on managing these challenges."

In addition, Jones stressed that the United States must modernize its air transportation system by maximizing use

of technological advancements. Implementation of NextGen will "yield significant improvements in safety, efficiency and environmental sustainability" as well as accelerate industry employment, he said.

Jones also recommended that Congress adjust policies regarding foreign repair station oversight, moving to a risk-based system. He argued that repair station provisions in the FAA reauthorization bill in the House undermine the industry's obligation to security as well as FAA's global leadership

At the end of the hearing, Jones told lawmakers that he had arrived in Washington in a business jet, defending business aviation from recent criticism in Congress. He pointed out that the aircraft, used 83 percent of the time by program managers, engineers and sales representatives, is essential to Rockwell Collins' success.

AIA Source: brian.elson@aia-aerospace.org

AIA Concerned with TSA Proposal on Aircraft Security Program

AIA has joined other aviation groups in opposing the Transportation Security Administration's proposal to apply current large aircraft security rules to general aviation and business aircraft.

A few key provisions of the Large Aircraft Security Program will negatively impact aircraft owners and operators, AIA believes.

Major requirements of the proposal include criminal background checks of flight crew, vetting of passengers and biennial audits of security programs. Placing the increased financial and inspection burdens that the LASP entails on

aircraft operators could destroy jobs and harm businesses, according to AIA.

AIA has joined the General Aviation Manufacturers Association, the National Business Aircraft Association and others in opposing TSA's plan.

As an alternative, AIA suggests establishing a rulemaking committee chaired by representatives from government and industry.

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Orders Begin Slide, But Market Still Strong

Average annual aerospace employment ended 2008 at 657,100 workers, a 1.6 percent increase over 2007.

Since 2003, aerospace employment has increased consistently and is closing in on levels not seen since 2001.

For the fourth quarter 2008, average aerospace employment dipped to 650,800, likely due to the strike at Boeing. This was a 1.6 percent decrease and a 0.5 percent decrease, respectively, from the previous quarter and from the same quarter of 2007.

Overall, aerospace employment is relatively healthy. Layoffs have been announced but aren't yet apparent in the numbers tracked by the Bureau of Labor Statistics. Any recent fluctuations are most likely the result of striking workers exiting and then re-entering the labor market.

While still strong, the most recent numbers for aerospace orders, shipments and backlog are slightly more worrisome than the employment figures. New aerospace orders dropped to \$231 billion in 2008, off 15 percent from 2007.

Comparing fourth quarter results in 2008 to the previous year, orders were off 34 percent. These declines reflect the softening market for aerospace products, and indications are that 2007 may prove to be the apex for orders in the near-term.

While orders might be starting to slide, it's important to note that the market is still at historically high levels. Orders have increased consistently since 2002 and are up nearly 80 percent over the period.

Shipments in 2008 reached \$196.7 billion, up nearly 7 percent. This is obviously good news but doesn't necessarily reflect current market conditions because shipments are based on orders placed in the past.

While orders are a market leading indicator, shipments and backlog are considered market lagging indicators.

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U.S. Aircraft Fly High at Aero India 2009

The U.S. government and industry, including AIA representatives, were in full force at the 2009 Aero India Air Show in Bangalore, India, in mid-February

Remy Nathan, AIA's assistant vice president for international affairs, participated in a number of meetings with Indian and U.S. government officials as part of the U.S.-India Business Council's largest-ever defense delegation to Aero India.

"The terrorist attacks in Mumbai, the financial capital of India, in November sharpened the critical value of the growing India-U.S. defense and security relationship in the minds of key decisionmakers and thought leaders from both countries," noted Nathan. "U.S. industry will play a vital role in supporting this relationship with our innovation and expertise by finding ways to bridge the challenges to working together efficiently and effectively."

Sherry Epperson, AIA's director of international events, supported logistics requirements for air crews of U.S. military aircraft that were on display or flew during the air show, including a KC-135 Stratotanker, C-17 Globemaster III, C-130J Super Hercules, F-16 Fighting Falcon and F/A-18 Hornet.

India is poised to spend more than \$30 billion dollars in the next few years to upgrade its military capabilities, led by a competition for a medium, multirole combat aircraft. U.S., Russian and European aircraft manufacturers are among the competitors.

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conflict-of-interest protection that helps allow companies to bid on NextGen contracts even if their experts were involved in developing the task work.

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Industry's Heritage: A Prophetic Vision

To mark the association's 90th anniversary in 2009, *AIA Update* is publishing selected historical highlights in each of this year's remaining editions.

This month we feature some key quotes from our early years, beginning in 1919 when the Aeronautical Chamber of

Commerce of America was incorporated in New York City. The Manufacturers Aircraft Association cited below was a predecessor organization that led to the formation of ACCA.

"The aircraft industry has organized a national body known as the Aeronautical Chamber of Commerce of America with approximately a hundred charter members representing the designing, construction, operating and kindred branches of the business. Included in the membership of the chamber, as announced yesterday from the national headquarters at 501 Fifth Avenue, are such pioneers as Glenn H. Curtiss, Grover C. Loening, Lawrence Sperry, Orville Wright and Chance M. Vought. American representatives of several foreign airplane companies are among the incorporators." – *New York Times*, 1922.

"I think that what has been accomplished in aircraft, in war times, will be duplicated to a great extent in peace times. I think the peace requirements will, in time, startle the world." – John D. Ryan, former director of aircraft production, Manufacturers Aircraft Association, 1919.

"But our work for aeronautics has really only begun. So instead of a victory dinner we are here tonight as a council of peace for progress." – Frank H. Russell, toastmaster at a banquet of the Manufacturers Aircraft Association, 1919.

"On the authority of the fact, America, the pioneer in aeronautics, claims supremacy of the air. . . . The airplane itself is the material embodiment of freedom. Its streamline body and poised wings so suggest freedom that the most prosaic bystander is thrilled by the sense of it." – *The Future of Aviation*, 1919 Aircraft Yearbook, published by the Manufacturers Aircraft Association.



Aviation pioneer Glenn H. Curtiss is seen here in one of his early "hydroaeroplanes." Considered by many to be the father of the American aircraft industry, he was a founding member of AIA.

AIA Source: kassidy.taylor@aia-aerospace.org

Stimulus continued from pg. 1

\$400 million for science missions. In addition, \$50 million is included to repair facilities damaged by recent Gulf Coast hurricanes.

NOAA

The stimulus includes \$600 million for procurement, acquisition and construction and \$230 million for operations, research and facilities. Some of these funds will likely be used for satellite procurement and related operations.

Three Percent Withholding

The law delays the 3 percent

withholding rule for a year, from 2011 to 2012. The rule requires government agencies on all levels — federal, state and local — to withhold 3 percent of contract totals to guard against corporate tax avoidance. AIA has advocated repeal of the unwieldy and unnecessary rule, but the delay in implementation provides an opportunity to continue to work for this goal.

Buy American

An early provision called for materials and manufactured goods used in projects funded by the stimulus bill to be domestic in origin.

AIA and others worked to educate

members of Congress on the potential damage such language could cause to international trade relationships.

The final bill tempers the language, stipulating that existing international trade agreements be honored and allowing the projects to use the most affordable materials if Buy American rules would result in a significantly higher price tag.

While the provision won't likely significantly affect the aerospace portions of the stimulus bill, AIA is concerned any time protectionist trade measures come up in Congress.

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Three More Firms Join Association, Bringing Roster to 112 Regular Members

AIA has welcomed three new member companies, specialists in advanced engineering, precision machining, and logistics and support. The association now represents 112 regular members and 174 associate members.

DynCorp International LLC

Headquartered in Falls Church, Va., DynCorp International provides specialized mission-critical services to civilian and military government agencies worldwide and operates major programs in law enforcement training and support, security services, base operations, aviation services and more.

For more information, visit www.dyn-intl.com.

Micro-Tronics, Inc.

Considered one of the finest advanced precision machine shops in the Southwest, Micro-Tronics has been an expert in cutting metal for more than 40 years.

Based in Tempe, Ariz., the firm is a full-service machine shop with conventional/CNC EDM, wire EDM, CNC laser, waterjet, molded rubber parts and electrode manufacturing capabilities.

Micro-Tronics cuts sharp edges and unconventional shapes in graphite, PCD/CBN and virtually any metal, including inconel, titanium, carbide, steel, hastelloy, copper, aluminum, rhenium, brass and tungsten.

To learn more, go to www.micro-tronics.com.

TechniGraphics, Inc.

TechniGraphics, Inc., is a multinational enterprise proficient in obtaining and converting geospatial, engineering and program data to enhance the products and methods of its clients.

Headquartered in Wooster, Ohio, the company is a leader in engineering services and solutions and geospatial information systems services.

For more information, visit www.tgstech.com.

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Busy Year Underway for Environment, Safety and Health Committee

AIA's Environment, Safety and Health Committee (ES&H) has an array of important activities scheduled during 2009.

Committee Chairman Ray Dewyer, director of environment, safety and health for Spirit AeroSystems, will begin his term by revising the ES&H charter to formalize procedures for governance, communication and leadership succession.

The committee's REACH (registration, evaluation, authorization and restriction of chemical substances) working group continues to grow through liaison and collaboration with

the association's Engineering Management Committee. The working group is managing a growing list of tasks associated with the European Union's developing chemical regulations.

International cooperation on REACH continues through the development of educational materials, guidelines, standards and industry positions with the AeroSpace and Defence Industries Association of Europe.

The ES&H Committee responded to two Environmental Protection Agency actions regarding clean air

regulations. In one, the committee provided aerospace facility information in response to an EPA request for data associated with the Residual Risk rulemaking for aerospace facilities. In the other, the committee commented to the agency on the Halogenated Solvent Cleaning rulemaking.

The committee's AERO working group recently scoped out its 2009 work plan that addresses the development of government standards for emerging chemicals of interest to the aerospace industry.

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