

## **TRANSCRIPT: Cord Sterling: Long-term impact of defense cuts**

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Except Frank asked me to give the perspective of what we've been looking at. We've had a number of conversations over the course of the last several months on what is going to be the long term impact of these cuts should they go into place. We know part of them will and it's whether or not the rest do that are equated to the sequester. AIA has approximately three hundred and fifty members. These are the large air, space, and defense companies. The Aerospace Industries Association. That's an easy way to look at it if you think of Boeing, Lockheed, and Northrup. But in reality, what we consist of are about one million members of the US manufacturing workforce. These are high skilled, highly capable, scientists, engineers, skilled technicians. These are skills that do not get created overnight. But they can be lost overnight. As we look at our initial estimates of what will happen if these cuts go into place, we will lose, out of a workforce of approximately one million, at least a third to a half of that workforce could be lost. It really all depends on how these cuts are implemented as they go forward. But if you look at the traditional way in which defense has broken up the spending between the procurement and R and D accounts, you look at the personnel accounts, if you equally distribute those cuts across the accounts, the impact on the industrial base—and this is a very fragile industrial base. This is not the industrial base that Eisenhower talked about. This is one that after the cutbacks of the 1990s, you had a great deal of consolidation where we went through roughly a hundred and thirty large prime contractors down to where you're now looking at five prime contractors. But you also have a very—I'm going to call it an at risk, a very capable, but it is susceptible to downturns. This is the supply base. These are areas—companies, five, ten, a hundred people that are within them that are really niche providing key capabilities to whatever your system is. Whether it be an aircraft carrier, whether it be an aircraft, a land system. Information technology system, a satellite. These workers are those that are producing the equipment that the armed forces are using today. If the cuts go into place as they're currently projected, we could lose a great deal of those workers, many of those companies, key sectors of the aerospace and defense community. If that happens, we will find ourselves relying more and more upon overseas—our competitors today, but our counterparts, whether they're in Europe or elsewhere.

I think some of you may remember about ten years ago, we had lost the capability to produce TNT. One of the most basic of all elements. If you're looking at the military. We had lost that capability. The reports went out that we were going to buy it from China. Created such an uproar, stepped in and it took a considerable cost, but the Army recreated the capability down at Radford Army Ammunition plant. That was an easy one to recreate, though expensive. There are other key technologies that are in there today. When you look at what we are dealing with. That if we lose those, we're not going to be able to recreate them overnight. We will be forced to rely upon others. When you look at what happened to Britain when it downsized its armed forces and it downsized its navy

and its ability to produce things as simple as submarines, they had us to rely upon to relearn those skills. If we lose our capability, if the United States loses its key cutting edge, technological leadership, who will we rely upon in order to relearn that capability should the budgets ever be restored? We can't rely upon the Europeans or the Chinese. We can't be sure that they will have the capability or that they will even teach it. We must remain—we must continue our leadership. We have started our second to none campaign. Because our industry, our capability is second to none in producing the best systems for the best armed forces. If we are going to continue that, we need to have the predictability, but we need to have a sustainable level within the military in order to insure the industrial base and in this case the industrial base is that one million workforce, has got the systems to work on, that they are employed and that they continue to be employed. So with that, thank you very much.