

Additional Commissioner Views

Commissioner R. T. Buffenbarger – Dissenting Views

This Commission was formed to address a variety of issues facing the future of the United States aerospace industry. Among them, the Commission was directed to “study the issues associated with the future of the U.S. aerospace industry in the global economy...; and assess the future importance of the domestic aerospace industry for the economic and national security of the United States.”¹ The Commission was also required to make “recommendations for actions by federal departments and agencies to support the maintenance of a robust aerospace industry in the United States in the 21st Century...”²

Despite the Commission’s mandate, its final report fails to adequately address the current crisis facing U.S. aerospace workers. While the Report acknowledges that several hundred thousand jobs have been lost in this industry over the past decade, this statistic captures only part of the problem. In states like Washington, Texas and California, that contain high concentration levels of the aerospace industry, the loss of aerospace jobs has been devastating. In Washington, more than 30% of jobs in the aircraft and parts sectors, almost 36,000, were lost between July 1992 and July 2002. In California, more than half the jobs, over 67,000, have been lost in this sector; and in Texas, over 30%, almost 20,000, jobs have been lost in the same sector.³ The failure to address these job losses in a meaningful way signals an ominous future for U.S. aerospace workers. It is estimated that nearly 180,000 additional aerospace workers could lose their jobs by 2010.⁴

The Report does not contain comprehensive and “immediate solutions” to the job crisis in the U.S. aerospace industry. Its failure to sufficiently recognize and provide meaningful solutions for the aerospace employment crisis is a serious and glaring omission. Without well-thought out, practical recommendations for increasing the number of jobs in this industry in the short, medium, and long term, the future of the U.S. aerospace industry is in doubt. If U.S. aerospace workers have no future, the U.S. aerospace industry has no future.

I am particularly troubled by the number of proposals contained in the Report that, if implemented, would lead to further erosion of U.S. aerospace jobs and increase the economic pain currently being experienced by a generation of U.S. aerospace workers. While this dissent does not provide a comprehensive list of my objections, I would like to note some particular concerns.

- The Commission’s Report encourages privatization, competitive sourcing, and public-private partnerships with respect to “Business: A New Model for the Aerospace Sector.” However, it fails to recognize that private sector business goals do not always coincide with the public interest or governmental program goals. As a result, proposals in this area would result in layoffs and the erosion of basic wage and benefit standards for workers and a concomitant loss of service to the public.
- If not closely restricted, provisions regarding the “shared savings” initiative have a great potential to further damage the employment situation in the U.S. by using the government to encourage private sector contractors to layoff workers or hold down wages and benefits. Some contractors could receive great windfalls, at a great cost to their workers, with U.S. taxpayers paying the bill. This is not the way to improve cost-effectiveness.

¹ Public Law 106-398

² Id.

³ U.S. Department of Labor, Bureau of Labor Statistics, data extracted on October 17, 2002, Series ID: SAU5300003372031 (not seasonally adjusted).

⁴ Testimony of Jeff Faux, Commission on the Future of the United States Aerospace Industry, Public Meeting, May 14, 2002; hereinafter, referred to as “Public Meeting May 14, 2002.”

- Provisions that encourage the U.S. aerospace industry to transfer work and/or technology to other countries and to utilize foreign sourcing through a variety of means (e.g., procurement, international collaboration, mergers and teaming, global partnerships, joint ventures, and other proposals contained throughout the Report) are shortsighted. The U.S. aerospace industry should be encouraged to maintain production at home and to use U.S. suppliers (and products made and assembled in the U.S.) whenever possible. While the “globalization” of the aerospace industry is a reality, the impact of globalization on U.S. jobs and our security must be taken seriously.
- Other proposals and comments which I take issue with include, but are not limited to, export control reform, “open skies,” and references to labor relations issues concerning the air traffic system.

I am also deeply troubled that three of my recommendations were “tabled” by the Commission without a full discussion on the substance of the recommendations.⁵ These recommendations involved common sense proposals that would assist our Nation’s policymakers in formulating meaningful solutions to the current and future crisis facing the industry and its workforce. I am particularly disappointed that they were not substantively considered by the Commission. As a result, the Commission missed a valuable opportunity to discuss, exchange ideas, and deliberate on three important workforce related proposals.

My first recommendation concerned the issue of offsets and outsourcing—both of which are significant in the U.S. aerospace industry. These activities threaten the U.S. workforce and our nation’s economy and national security by, among other things, transferring production and technology to other countries. To facilitate a constructive dialogue on these points, I recommended that the Commission support the “establishment of a permanent, high-level Commission consisting of representatives of industry, government, labor, and academia to develop a comprehensive policy to address the numerous issues related to offsets and outsourcing.” The purpose of such a Commission would be to “advance a policy that will mitigate the negative impact that offsets pose for U.S. aerospace workers now and in the future.” The Commission tabled my proposal and rejected my efforts to “remove” the recommendation from being tabled.

The second recommendation I offered regarded the use of economic impact statements. It is my firm belief that various agencies of the U.S. Government must be accountable to the taxpayers. This means that taxpayers should know whether their hard-earned dollars are going to support good jobs at home or are going to create jobs in other countries. Unfortunately, as I explained to the Commission, information gathered by the U.S. Government with respect to the number of aerospace and aerospace-related jobs that are created (or lost) by Government programs is often imprecise. Accordingly, I urged the Commission to recommend the adoption and implementation of more effective methods of gathering data to evaluate the impact of Government programs on jobs in the U.S. The Commission also tabled this proposal and rejected my efforts to “remove” the recommendation from the table—thus barring substantive discussion of this important matter.

Finally, I proposed that the Commission recommend that internationally recognized labor standards be honored and enforced. The need to recognize and enforce international labor standards implicates significant social and economic issues. It also raises the related trade issue of “fairness”. U.S. aerospace workers should not have to compete with workers in other countries where basic human rights are neither recognized nor respected. The fundamental rights to freedom of association and collective bargaining do not exist in many foreign countries. Moreover, it should be no surprise, decent wages and rules to ensure even moderately safe and healthy work-

⁵ See, Public Meetings of May 14, 2002 and September 17, 2002.

ing conditions are nonexistent in these countries. Even basic prohibitions on child labor, discrimination, and the use of forced or prison labor often fail to be recognized or effectively enforced.

I fear that if these internationally recognized labor standards are not uniformly respected, there will be a rapid race to the bottom as labor standards in the United States are dragged down towards the labor standards in far off lands. The aerospace industry should be a model for lifting the standard of living up for workers everywhere. It was my hope that this Commission in devising its proposals for the future of the U.S. aerospace industry, would at least discuss these very important standards. Sadly, a majority of the Commission tabled the recommendation and left it to die on the table, along with my other two recommendations.

I am heartened by the words of people like Denny Lee-Si Reyes, a high school student who testified before the Commission that “[U]ltimately my dream is to not only become part of the team that designs the travel of the future, but to become part of the dream that redefines it.”⁶ I am pleased that the future of the U.S. aerospace industry rests with Mr. Lee-Si Reyes and others like him but fear that unless work is done to ensure that the aerospace workforce remains strong and healthy here in the U.S., they will see their dreams disappear along with the aerospace jobs in the U.S.

This is not acceptable. The U.S. aerospace industry is about more than corporate profits. It is about the workers and their communities that have made this industry so successful. It is the workers and their communities, after all, that are key to our nation’s economic security and our nation’s national security. Today, aerospace workers are in a deep, deep crisis. We urgently need effective solutions for resolving this state of affairs and preventing future crises in this industry. This Commission wasted a valuable opportunity to meet this great need.

⁶ Testimony of Denny Lee-Si Reyes, Public Meeting, May 14, 2002

Commissioner John W. Douglass

ASSURING THE SECURITY OF OUR AVIATION SYSTEM PROPERLY RESTS WITH THE UNITED STATES GOVERNMENT

I am submitting these additional views to the commission in recognition of the fact that the crisis in civil aviation has intensified as the commission is writing its final report. They should not be construed as opposed to any recommendation of the commission.

The attacks on the United States that took place on September 11, 2001, were just that -attacks on our country and all that it stands for around the world. Although the instruments of the attacks were hijacked aircraft, the purpose and effect were no different than an attack on our nation by hostile foreign forces. In my opinion, defending against such attacks—defending against foreign aggression and providing for our common defense—is the responsibility of the United States government, a responsibility expressly provided for in the Constitution.

For over thirty years, international terrorists, intent upon attacking the United States, have, unfortunately, selected and utilized our airlines and their customers as surrogate targets. Throughout this period, the aviation industry, working cooperatively with the government, has attempted to do its part to counteract this threat.

Fundamentally, however, the United States government has within its sole discretion and unique competence virtually all of the means available to counteract the threat of aviation terrorism—diplomacy, intelligence gathering, economic sanctions, military action, covert action and general law enforcement powers all reside exclusively with the government.

In addition to the inherent responsibility of the Federal government for security, the government controls or regulates many of the costs associated with air travel.

Under normal conditions the relationship between the government and the industry has yielded an ever more efficient air transportation system for our nation. Safe, secure, reliable, and affordable air transportation has become a key ingredient in the American standard of living and the international competitiveness of our economy.

The commission report deals correctly with the developing challenges of the air transportation system concerning air traffic management, airport construction, safety regulation, and research and development. However, in my view the ongoing economic crisis warrants further action.

There is no question that the airline industry was in poor economic condition prior to the 9/11 attacks as a consequence of the softened economy. The industry has survived similar economic downturns in the past, but the meltdown that has occurred since 9/11 is without precedent. The combination of the economic downturn and post 9/11 government policy decisions produced an untenable situation for the industry. Looking just at estimated industry pre-tax costs for 2002, airline industry executives have testified that those well-intentioned policies have resulted in billions in post 9/11 costs and lost revenues, and account for a great majority of the projected \$9 billion in 2002 industry losses. These massive and mounting losses reveal the absence of pricing power within the airline industry and the fallacy of government assumptions concerning customer absorption of additional security fees and costs.

The economic downturn and the substantial added security burden have combined to disrupt the economic balance of the airline industry. As a result, the airlines have been forced to borrow on a massive scale just to fund their continuing operations. The nine largest passenger airlines now carry over \$100 billion in debt on their balance sheets, but only have a total market capitalization of approximately \$15 billion. As the forced contraction of the industry continues, smaller and midsize communities across the country are being disconnected from the national air transportation system that is vital to their economies. In addition, manufacturers and aviation suppliers have been seriously affected by the crisis in the airline industry. The impact is now rippling through the rest of the economy.

The effects of the terrorist threat are not limited to the airline industry. General aviation has been seriously affected as well. Fixed base operators of all sizes have suffered in varying degrees, some being forced out of business. As in the case of the airlines, measures have been imposed without a thorough analysis of whether or not specific measures will be effective in helping to achieve security objectives, and whether the incremental benefit of a specific measure is commensurate with its incremental cost. The long term consequences of onerous restrictions on general aviation that do not produce a corresponding increase in national security will be a further isolation of towns and regions that have lost commercial air service.

Further, the traditional source of new pilots for the airlines—former U.S. military pilots—is increasingly being supplemented if not replaced by civilian training organizations. Actions that reduce or destroy the economic viability of the general aviation community, including small airport operators and flight school operators, will have a long term impact on the ability of airlines to find qualified pilots.

If we are to avoid the economic dislocations that are virtually certain to result from the continuing meltdown of the airline industry, decisive action must be undertaken immediately in two vital areas:

- First, the airline industry must continue to eliminate unnecessary costs and deal aggressively with the vast array of critical business issues. Only the airline industry with the cooperation of labor can address these matters.
- Second, and just as importantly, the United States government must assume the full costs and responsibility for assuring the protection of our aviation system against terrorist attack. At the same time, the government must adopt rational security measures that facilitate public access to the system and thereby encourage rather than discourage air travel. The government must reject the false premise that the airlines and their customers can or should bear this national defense burden, if for no other reason than to maintain the health of our broader, transportation-dependent economy.

Finally, the government must work with the aviation community to develop a framework to enable cooperative real-time analysis of security threats and effective means to defeat them. The FAA Safer Skies program has developed such a framework, which enables the government and private sector to work together to identify and implement the most effective ways to improve aviation safety. The government should also establish a security forum based on this model. Aviation is complex. Those who use the aviation system and make it work are the ones who have the greatest understanding of that complexity. They can provide the insight that will enable the government to develop measures that can improve security while ensuring the economic viability of the aviation industry in the United States.

Commissioner Tillie K. Fowler

I commend the hard work and deliberations of the Commission on the Future of the United States Aerospace Industry and particularly the dedication and vision of Chairman Robert Walker. I strongly believe the Commission has fulfilled its statutory mandate to examine the role of the domestic aerospace industry as part of the nation's overall economic and national security.

While I agree with the majority of the Commission's findings and recommendations contained in this final report, I am concerned with several assertions that have a direct impact on our armed forces. In particular, in Chapter 6, the report states that "current export controls are increasingly counter-productive to our national security interests in their current form and under current practices of implementation." I agree that the economic and national security environment has changed radically since Congress passed the 1979 Export Administration Act and believe a thorough revision of our export control policies is warranted. At minimum, I support a regular review of the Munitions List and a more expeditious license review process. However, I firmly believe that national security interest must always take precedence over economic or foreign policy considerations in application of the export control process.

While the United States should not, as a matter of course, seek to control commodities with wide foreign availability or mass-market penetration, the export control system must focus on sophisticated technologies and equipment that have limited foreign availability and pose a potential threat to the U.S. and its allies. For these reasons, the Department of Defense must continue to be a full partner in the process to guarantee that national security equities are considered when approving, denying or conditioning an export license.

In Chapter 7, the report states there are "many opportunities for redefinition and prioritization of routine non-inherently governmental activities currently performed by government agencies." While the government must continuously examine cost savings to be derived from outsourcing, I believe it is essential that risks associated with the process of shifting functions to the private sector are properly weighed. Notably, in the mid 1990s, the Department of Defense endorsed outsourcing of its commercial functions as a means to fund modernization. At that time, DoD adopted the procedures contained in OMB Circular A-76 to accomplish this task and contended that, irrespective of the public/private outcome of the competitions, there would be substantial savings. Unfortunately, these savings never fully materialized and modernization and readiness suffered as a result.

The Commission's call for a comprehensive review to identify functions and services that are not "core" to the effective execution of the government's mission raises a number of significant questions. Congress has repeatedly voiced concern that the military services have not adequately or uniformly applied criteria to determine the definition of "core" with respect to warfighting capability. I am also concerned with the process by which competitive sourcing decisions can be authoritatively made by the Department of Defense. In particular, the military services have struggled to provide dependable technical data on the performance of military depot workloads. Accordingly, using such unreliable data as the basis for public-private competitions may jeopardize the nation's military readiness and surge capability. As recent history has demonstrated, combat is not a "just-in-time business," and adequate stocks of munitions, parts, and spares are essential to achieving mission success. The remaining military depot facilities are unique in their workforce flexibility, capability, and commitment to the warfighter and must be sustained as an integral part of the nation's critical defense infrastructure.

Commissioner John J. Hamre

Any commission report is necessarily the product of compromises and cannot reflect totally the views of any one commissioner. I agree with the general thrust of this report and the bulk of its findings and recommendations. There are some findings and recommendations (e.g. mining asteroids, anti-gravity propulsion, etc) that would not be in this report, were I its single author. But commission products are stronger by the collective judgment that informs its work, and I endorse this report.

My larger concern, however, is that this report is too general and diffuse to have the impact that I believe is needed. I believe that the American aerospace industry is in deep trouble. Satellite and space-launch manufacturers are in serious financial difficulty and the industry is near collapse. The entire aerospace industry is choking under a blanket of ineffective and increasingly obsolete export control and technology regulations. Government regulations are now effectively isolating American industry and limiting its competitiveness. The American airline industry is near collapse, with operations unprofitable and service in decline. These are fundamental issues, yet too much of our report is devoted to secondary and tertiary concerns.

I still commend the reader to the report because I believe it does touch on some of the central challenges facing this critical industry. My purpose in filing additional views is to highlight the exceptional challenges the American aerospace industry is facing and the need for urgent action on behalf of the government to deal with them. This report offers a starting point.

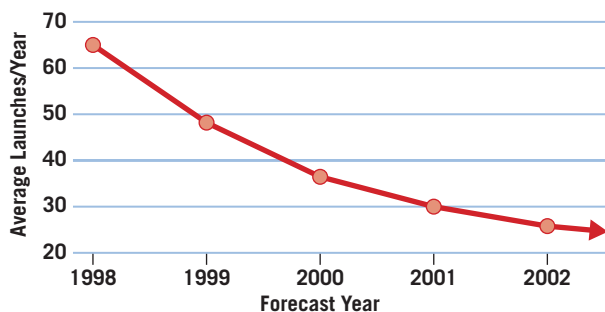
Commissioner Robert J. Stevens

Although I agree with and support virtually every aspect of the commission's report, there are a number of issues raised in Chapter 3 that I believe require additional clarification. Although the chapter on space does highlight the continuing decline in expected launch service demand, I believe that the situation is actually more serious than depicted in the report. Additionally, the report does not address critical steps that must be taken in the near-term to address these problems.

I am concerned that Chapter 3 does not fully address the continuing deterioration of the space launch industry base. An estimate published in May 2002 by the Commercial Space Transportation Advisory Committee (COMSTAC), forecasts that only 30 commercial payloads in total are available for launch in 2003, amounting to only 24 worldwide commercial launches (including all payload classes to all orbits). Even this estimate may be overly optimistic, based on trends that we are seeing as we approach the end of 2002 (See Figure 1). To date, there have been only two commercial satellite sales during 2002, with limited prospects for additional sales before the end of the year. This reinforces my concern that the trend is getting worse. As the Federal Aviation Administration and others have documented, during 2001, there were only 16 commercial launches worldwide, with little hope for reversal of this trend in the near or intermediate future (10 years).

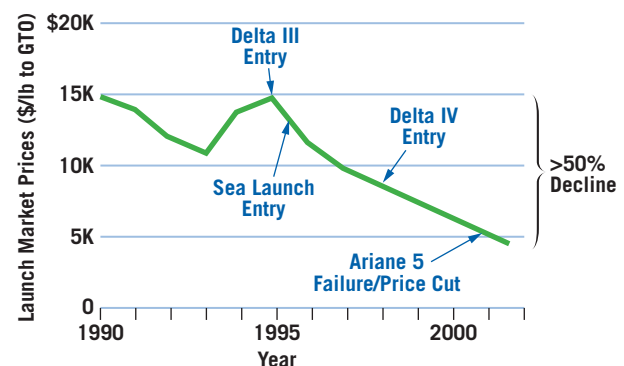
Chapter 3 correctly points out that decreasing launch costs has been a fundamental goal for the space launch industry. The Air Force's Evolved Expendable Launch Vehicle (EELV) program established a goal of reducing launch costs by 25-50 percent, a goal that Atlas V has already met. I am concerned, however, by the view stated in the report that lowering cost to orbit would reverse negative trends in launch demand. While this may be true over an extended period of time (perhaps decades), there is no evidence that recent reductions in launch costs have in any way altered deteriorating demand. The market conditions that prevail today appear to be relatively insensitive to reductions in launch costs (See Figure 2). Of course, as the commission correctly indicates, it is possible that a new launch paradigm, involving affordable, reusable launch vehicles, could ultimately help usher in a new paradigm in the satellite sector that would entail significant increases in launch demand. In the near-term, however, the United States must address the critical state of the existing launch industrial base. In particular, the United States government must take steps to sustain our assured and reliable access to space for critical national security missions.

Figure 1 Decline in Annual Forecasts for 2002 – 2007 Launches



*Compilations of Government, Industry and Research Analyst data

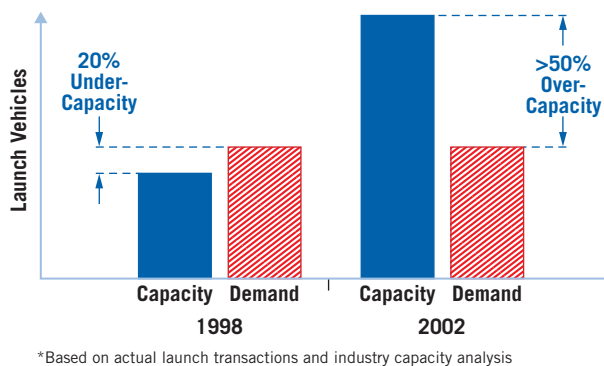
Figure 2 Launch Market Prices (\$/lb to GTO)



*Based on actual launch vehicle transactions

The EELV program is the Defense Department's assured access solution for the foreseeable future. EELV is designed to be more responsive and affordable than current launch vehicles. With EELV, the Air Force has adopted a commercial launch services approach, with the contractors financing the majority of the development costs associated with the next generation launch vehicles (Atlas V and Delta IV). In 1997, at a time when worldwide projections envisioned 70 launches per year, the Air Force decided to retain both EELV contractors rather than selecting a single provider. The commercial satellite marketplace, it appeared, would provide adequate sustainment for the U.S. space launch industrial base, thereby justifying the large contractor investments in EELV, and providing the DOD a more robust assured access capability for a relatively modest investment. As indicated above, since 1997, such launch projections have deteriorated by approximately 65 percent. The current market situation is inadequate to sustain two healthy U.S. launch providers in a globally competitive market (See Figure 3). Therefore, in the interest of U.S. national security, it is imperative that the United States government address this problem immediately.

Figure 3 Launch Market Capacity/Demand



Fortunately, the Department of Defense is in fact developing an assured access program to help sustain the U.S. launch infrastructure and industrial base, while preserving the principal tenets of the EELV program. The key to this effort is the maintenance of two financially stable launch service providers to keep the U.S. competitive in the global market and provide backup for any technical or operational problems that may be encountered with either of the EELV systems. This effort is also essential for preserving the technological and industrial base needed to bring about further improvements in the flexibility and affordability of

space launch. The Defense Department's assured access to space initiative is the single most important near-term element of a broader strategy for preserving U.S. competitiveness and innovation in the space launch arena.

