

**TESTIMONY OF OWEN HERRNSTADT, CHIEF OF STAFF TO THE  
INTERNATIONAL PRESIDENT, INTERNATIONAL ASSOCIATION OF  
MACHINISTS AND AEROSPACE WORKERS**

**BEFORE THE  
UNITED STATES SENATE COMMITTEE ON APPROPRIATIONS,  
SUBCOMMITTEE ON DEFENSE HEARING ON  
“SEQUESTRATION AND THE DEFENSE INDUSTRIAL BASE”**

**NOVEMBER 13, 2013**

Thank you, Mr. Chairman, Ranking Member Cochran, and members of this Committee for the opportunity to testify before you today on the impact of sequestration on our defense industrial base. My name is Owen Herrnstadt and I serve as Chief of Staff to the International President of the International Association of Machinists and Aerospace Workers (IAM). As the largest defense and aerospace union in North America, representing over 700,000 active and retired members, the IAM is particularly concerned about the detrimental impacts of sequestration on our members, other U.S. workers, the defense industrial base and the health of our economy.

As the largest union in the defense industry our members make a variety of products and provide essential services necessary for national security. Our members produce fighter aircraft for our armed services. These include the F-15, F-16, F-18, F-22, and the F-35. Additionally, our members produce transport planes for the military including the C-5, C-17, C-130J, as well as the new KC-46A refueling tanker. Other military planes that our members produce include the P-8 Poseidon anti-submarine aircraft and the 737 airborne early warning and control aircraft.

We are also the largest union at NASA, where our members work at every space center in the U.S. As part of the United Launch Alliance, our members prepare the launch of rockets and military satellites built by other IAM members.

In the shipbuilding industry, IAM members build nuclear submarines, destroyers, cargo ships, and aircraft carriers. They also perform maintenance at shipyards from Kittery, Maine to Pearl Harbor, Hawaii.

Some of our members work directly for the Department of Defense as federal employees, while others are employed by Service Contract Act companies and perform a wide variety of functions from training fighter pilots to maintaining aircraft and military facilities.

Perhaps the largest number of IAM members work for second and third tier suppliers that provide components for prime contractors. Some of the supply chain products manufactured or serviced by IAM members include jet engines and landing gear for military aircraft and turbines for naval ships.

Given the nature of the work that our members perform, the IAM truly understands the importance of the U.S. defense industrial base and defense manufacturing for our economic and physical security. We believe that a strong domestic industrial base is one of the essential elements needed to restore our economy and maintain a safer, more prosperous and more sustainable future. Sadly, sequestration represents a continued threat to our defense industrial base, our economic recovery and our future.

Despite the importance of manufacturing to our nation's economy and defense capacity, millions of U.S. manufacturing workers have lost their jobs, contributing to our slow recovery. Some industries that were once great contributors to our economy, like shipbuilding and machine tools, are barely shadows of what they once were. Further cuts to these industries will contribute to their decline.

Jobs in leading edge industries that are critical for our future, like aerospace, are threatened by sequestration. According to the Aerospace Industries Association:

The aerospace and defense industry employs approximately one million people across the country, supporting over two million middle class jobs and 30,000 suppliers from all 50 states. Sixty percent of aerospace sales are made by federal investment...An AIA-sponsored analysis concludes that if sequestration as detailed in the Budget Control Act goes into effect, more than one million (direct, indirect, community) jobs could be at risk. The potential aerospace/defense and supply chain job losses could total 352,000.

At a time when U.S. workers are still reeling from the Great Recession, job losses caused by the cuts included in sequestration are unconscionable.

Job losses in the defense industry also have implications for our national security. As these jobs and the skills needed to perform them disappear and as our defense production capacity is reduced, we will become less able to defend ourselves should the need arise. Moreover, as supply chains continue to grow and cover the world, access to crucial parts and components may become limited if supply chains are disrupted.

For the IAM, the impact of sequestration is alarming. This year we saw our members at the Department of Defense laid off for six days. Our members working for Service Contract employers saw even longer layoffs and, unlike federal employees, most were never paid for the days that they lost. We saw contractors like Lockheed Martin, Boeing, and Pratt and Whitney come within days of laying off thousands of our members. We know that budget cuts and the continued threat of sequestration have had an impact in the cancellation of the overhaul of the USS Miami submarine. Other ship maintenance for the Navy was deferred and workers were laid off. Recently, Pratt and Whitney sent notice to our members that because of budget cuts and the reduction in the number of F-35s, the company is uncertain as to future employment numbers. The story is similar throughout the defense industrial base.

Our members are proud of the work they do and the products they build; their paychecks represent a significant contribution to the local economy. We know that for every defense manufacturing job there is a multiplier effect in the local economy, often three to four additional jobs for every manufacturing job. The geographic diversity of the defense industry means that in every corner of our nation we feel the impact of defense cuts including those who do not work directly in the defense industry.

The continual threat and uncertainty of layoff for our members and their families is unsettling to say the least. For employers, the unresolved threat of sequestration means that they cannot plan for the future and that the investments needed to grow our economy are being held back.

We should be clear. It is not just our members who suffer because of sequestration and the cuts in the defense budget. The negative impact on the economy is severe and threatens to push our fragile economy once more into recession. With the official and unofficial unemployment rates still unacceptable, future cuts in defense spending constitute a clear and present danger to employment growth and the viability of our economy.

For ordinary Americans, the lasting impact of long-term unemployment means that our economy will grow more slowly, will generate less wealth and tax revenue, and will exasperate state and federal budget deficits. This will further reduce the ability of government to provide essential services like educating a 21<sup>st</sup> Century workforce to compete in the global economy, and to provide for the national defense. Within the next decade many of our Baby Boomer members will retire from the defense industry and we need to be focused on developing the skills of a new generation of workers to fill these positions. This will not be easy in the wake of job cuts and uncertainty.

Several years ago, the IAM conducted a survey of laid off workers in the commercial aerospace industry. We learned that a significant number of these workers had no desire to return to their jobs when they were called back. They simply were not interested in working in an industry that was subjected to a “boom-bust” cycle. Many of these workers also said that they would not advise their children to work in the industry. Sequestration adds to the uncertainty of workers in the defense and related industries and discourages them from entering the industry or returning to it.

Defense procurement is the closest initiative we have to an industrial policy in the U.S. Aerospace and defense investments have long been a source of innovation that have generated technological advancements that have spilled over into the private sector. Medical devices, new material, and information and communication technologies are just a few examples. These new products and technologies have helped to sustain our manufacturing base. When we cut dollars to the defense industry and NASA we choke off future innovation and a source of new products for American industry. In a very real sense sequestration threatens not only our ability to defend ourselves against the global threats we face today, but it also threatens our ability to grow our economy in the future.

While the focus of this hearing is on the defense industrial base, we must acknowledge that in the aerospace industry the defense and commercial sectors are interconnected. The disruptive effects of sequestration will weaken the U.S. commercial aerospace sector, making less competitive one of the few sectors in which we enjoy a positive balance of trade with the rest of the world.

U.S. defense workers and their communities are in a crisis. They have witnessed thousands of their jobs disappear over the past few years. Their pain is real. As their desperation increases and their hope fades, the IAM believes that we must develop a comprehensive national manufacturing strategy that will make a difference in their lives and, in doing so, ensure a vibrant and sustainable economy for all of us.

The cuts implemented and further contemplated by sequestration send us precisely in the wrong direction. These cuts present a threat to U.S. manufacturing, our economic recovery and national security. We urge you to stop them.

Thank you for the opportunity to share our views with you today.