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# PlanSmart NJ

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Conference on the Impacts of the  
Defense Industry in New Jersey

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**June 13, 2013**

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[ KEYNOTE ADDRESS ]

**Former Congressman Steven R. Rothman**

**Aerospace and Defense** Industry Group 

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**Sills Cummis & Gross** P.C.

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## Good morning.

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Please allow me to first thank PlanSmart NJ for inviting me to be a part of today's Conference on the Impacts of the Defense Industry in New Jersey, specifically on "How Can Regional Planning, Strengthen NJ's Aerospace and Defense Sector?"

Also, please allow me to thank Lucy Vandenberg, Ann Brady and Freeholder Director Donnelly for all of their help... And greetings to all of today's Speakers, Panelists and Dignitaries.

In my 30 minutes up here, I'd like to talk about the following 4 subjects:

1. What Are The Challenges Facing the Entire National Defense Industry?
2. What Has NJ Suffered, in Similar Situations in the Past?
3. What Threats Face Our NJ Defense Related Industries Today and In The Foreseeable Future?
4. How Can We Effectively Address These Threats?

**BY WAY OF INTRODUCTION**, and knowing of Plan Smart's mission, of using both land use planning and regional cooperation in moving New Jersey forward in a Smart direction, I just thought I'd remind those of you who didn't know, that when I came out of law school some 36 years ago, I got involved in local Englewood, New Jersey politics and when I turned 30, began my first of two elected terms as Mayor of that great city, not only serving on the Planning Board, but appointing it. Recommending nearly all the members of the Zoning Board and Supervising the redrafting of our City's Master Plan.

In those turbulent years, we were able to cut the tax rate, create unprecedented public-private developments that resulted in making Englewood the hottest place to build in Bergen County at the time. We also left Englewood with a \$4 million dollar surplus and the best bond rating of any community in all of Bergen County.

And yes, by the way, I also served for 16 years, (8 terms) in the US House of Representatives—8 of those years on the Appropriations, Defense Subcommittee. That Subcommittee on Defense, literally recommended all of the military spending for the United States of America.

It had only 15 House members. We met mostly behind closed doors and in secret session. Much of our time was spent with the Secretary of Defense, the Heads of the CIA, NSA, the National Intelligence Director, All the Chairmen of the Joint Chiefs of Staff, the National Security Advisor to the President, the Secretaries of State, Treasury and other Cabinet Secretaries, and various, spies, Special Operators, bean counters, DOD and Subcommittee Staffers and anyone else: who was truly at the top of the food chain, in charge of our nation's military, intelligence, and national security apparatus.

Our Subcommittee traveled to far-off locations around the globe. We met with our own military and intelligence leaders in theatre, as well as with various heads of State and their intelligence and military teams in their own countries—again, 99% of the time, in closed door, secret meetings.

We operated by consensus: no Democratic or Republican talking points—the only agenda being: “How best to spend the finite taxpayer dollars we had, as effectively as possible: to maintain and strengthen the most lethal, efficient, wide-ranging, cutting-edge and powerful military force on the planet.”

My 25 years engaged in these areas of public service, inform my remarks today.

**1. NOW:** The Challenges Facing the Entire National Defense Industry today: Significant cuts have been made to our Defense Budget, starting this 2013 Fiscal Year (\$54 billion dollars in FY 2013 alone), with a total of \$500 billion dollars in Defense cuts over these next 10 years. These were agreed to and included in The Budget Control Act of 2011.

You may remember the debt ceiling crisis that precipitated this. These extraordinary cuts to our Defense Budget were put in the Act to get sufficient votes in the House to allow for what had before that time been a routine vote on raising the debt ceiling to avoid default on the “full faith and credit of the United States of America.”

The cuts proposed by the Budget Control Act of 2011 were intended as a “**STOP GAP**” compromise that would (a) allow for the raising of the debt ceiling; and (b) and would contain “meat axe” cuts in US Spending that, frankly, no one ever believed the Congress would not later rescind or rework. These, what some have called, “draconian cuts” of \$1.2 trillion dollars across the board (with 50% to come from Defense) were supposed to scare enough House members of both political parties, so that they would soon thereafter compromise on better, more selective spending cuts and perhaps some revenue enhancers—so as to avoid the “meat axe” approach of the Budget Control Act of 2011.

As you know, that plan didn’t quite work out. There was no compromise that followed, and the Sequester has gone into effect.

Without compromise (and that does not appear likely any time soon) there will be \$1.2 trillion dollars in spending cuts over 10 years: 50% or \$500 billion of it from the Defense Budget. That does **NOT** include cuts that are also being made to the Veterans Administration, and defense-related programs in the Departments of Energy, Labor, Justice, Homeland Security and many others.

Oh, and by the way, 55% of the DOD cuts will be in acquisition, research and development...

According to former Defense Secretary Leon Panetta, and many others, such cuts to the Defense Budget will not have occurred, to such an extraordinary degree, since the drawdown after World War II!

(Not after the Korean War, Vietnam War, or the End of the Cold War). Oh, and by the way, the Budget Control Act of 2011 said that any savings realized from our drawdown of forces in Iraq and Afghanistan, would **NOT BE ALLOWED TO COUNT TOWARDS THE \$500 BILLION DEFENSE DEPARTMENT CUTS!!!**

What the Budget Control Act of 2011 has set in motion then, is a narrowing of our country's military options and capabilities. Think Iran, North Korea, worldwide Jihad, China, and the inevitable, unforeseen crises that will demand US military action in the future (and think of how much more we will have to do, with so much less).

Some good news, if you can call it that, is that the DOD is concerned about America's defense industrial base and has enacted S2T2: the Sector to Sector, Tier-to-Tier Reviews—where every major program review will now involve a look at the impact (of programmatic decisions made by the DOD) on an our nation's industrial base.

The bad news: many companies will experience deep cuts or elimination entirely from the Defense department budget!

And **MORE BAD NEWS:** if you thought that the massive, \$500 billion dollar cuts in defense spending were going to be a “challenge” for New Jersey and the nation's defense industry (*i.e.* competing for a slice of the much-smaller pie of defense-related dollars), think about “Legacy Costs!”

**“LEGACY COSTS”:** The costs of caring for the Americans wounded in Iraq and Afghanistan—veterans (those with physical wounds, as well as those suffering from post-traumatic stress disorder and a wide variety of brain or other injuries).

Considering that there were 2 1/2 million American Servicemen and women who served in Iraq and Afghanistan. And, given the high numbers of wounded and those suffering the afflictions I just mentioned, you see even further strain on a shrinking defense budget, and defense-related budgets. Add to that the cost of the Iraq & Afghanistan GI bill, the noble and important costs of providing financial assistance to the survivors of the thousands of fallen US Servicemen and women; and the enormous costs to replace so much of the military equipment that has been worn out from service in Iraq and Afghanistan) and you see how difficult an environment the defense industry faces this year and over these entire next 10 years!

**2. Which brings me to what happened to New Jersey the last time something draconian happened in the defense sector:** The 2005 Base Realignment and Closure Commission, (the “BRAC”) which saved some of our treasured military installations in New Jersey (and preserved their missions)...but closed Fort Monmouth!

As many of you know all too well, the 2005 Base Realignment and Closure recommended closing 22 major United States military bases and the “realignment” of 33 others. In September 2005, President George W. Bush approved the BRAC Commission’s recommendations, leaving the fate of the bases in question to the United States Congress.

And while the House of Representatives took up a Resolution to disapprove the BRAC, it failed by a large margin. And so the Secretary of Defense began implementation of BRAC in September 2007 and completed it in September 2011.

As a result, and despite Herculean efforts by the entire New Jersey Congressional Delegation, and many in this room, Fort Monmouth was closed!

The DOD estimated that the closure of Fort Monmouth would cause the loss of 9,737 NJ jobs between 2006 and 2011, leading to close to a 1% increase in New Jersey’s unemployment. On the other hand, THE DOD said, it had calculated that the Fort Monmouth closure and other changes would **SAVE** the DOD about \$1 billion “in the long run.”

However, in June 2007, an investigation by the Asbury Park Press revealed that the projected cost of closing Fort Monmouth and moving its research functions to Aberdeen, Maryland, had doubled from \$780 million to \$1.5 billion—(that’s half of DOD’s projected savings from the Fort Monmouth closing!). Add to that the \$3.3 billion loss to New Jersey’s economy, and you have to seriously wonder whether the DOD’s “savings” from closing Fort Monmouth were worth the enormous costs to the State of New Jersey, and, was that the best move for the Pentagon and for the good of the nation?

Of course, we were heartened that in 2005, New Jersey managed to save certain facilities and operations at McGuire Air Force Base, Fort Dix and The Naval Engineering Station at Lakehurst. (I would venture to guess that this happened with the strong support of many of the people gathered here in this room—as well as our Congressional Delegation). And now, as many here know, McGuire Air Force Base, Fort Dix and Naval Engineering Station Lakehurst, which together occupy 42,000 acres in New Jersey, are now known as Joint Base McGuire-Dix-Lakehurst—the nation’s only tri-service joint base.

**3. OK ...So if you thought the 2005 BRAC decision was awful for New Jersey, and that the massive \$500 billion dollars in defense spending cuts, (along with the “Legacy Costs” of Iraq and Afghanistan) pose a real threat to New Jersey’s defense-related industries:** Consider this **LATEST AND MOST PROFOUND THREAT TO THE NEW JERSEY DEFENSE-RELATED INDUSTRIES—THERE IS LIKELY TO BE ANOTHER BASE REALIGNMENT AND**

**CLOSING COMMISSION** (A NEW BRAC) and it will threaten New Jersey's last remaining major military installations at:

- Picatinny Arsenal;
- Earle Naval Base; and
- The Mega Base!

This latest round of base closures and realignments has just been recommended by the Pentagon and President Obama—**THIS YEAR**, just as President George W. Bush and his Pentagon recommended the last BRAC in 2005.

Just a few weeks ago, on May 15th, Katherine Hammack, the Assistant Secretary of the Army for Installations, Energy and Environment, spoke before the Senate Appropriations Committee and said the Army **NEEDS** another round of Base Realignment and Closure.

And just a month earlier, Defense Secretary Hagel, in citing the need to do more with less, announced that he and the Joint Chiefs of Staff were requesting a new round of base realignments and closures to be authorized for 2015.

(Having said this, the President has also offered a Grand Bargain Budget deal that would avoid the worst impacts of the Sequester. House Republicans have their version too). But such a Grand Bargain has **NOT** been achieved by the House, Senate and White House—and virtually no one is predicting the end of the Sequester cuts to Defense now, soon, if ever).

And while you may have noticed that the House Armed Services Committee just passed a National Defense Authorization Act for Fiscal Year 2014 that **FORBADE** the expenditure of any dollars on a new round of BRAC—we know that BRAC gives the Administration and the Congress a lot of savings (that they can't or won't otherwise achieve). So, like every BRAC proposed since 1988, this latest "Obama" BRAC, if you will, is likely to be approved sometime in the near future.

**4. Here we are:** the threats are (1) A decreasing Defense department budget and decision defense-related budgets in other departments; (2) "Legacy Costs" from the Iraq and Afghanistan wars; and (3) A New round of Base Realignments and Closures.

## **WHAT TO DO?**

Well, firstly when it comes to what I believe will be the inevitable next round of BRAC, we need to renew the kind of shared sense of purpose the entire State had in trying to save Ft. Monmouth—but to do so differently: we need to better organize, better strategize and better mobilize—and to do so, now!

Other states and communities across the country are **ALREADY** hiring experts with experience in Washington (and with the Pentagon), to help them build the case for **THEIR** local installations and defense related industries. And I would strongly assert that New Jersey should be doing the same—**NOW!**

I am advised that neither Governor Christie, the New Jersey State Legislature, PlanSmart NJ nor any other group has hired such firms or individuals.

Yes, we are blessed to have a very very capable set of Congressmen and Senators, and they are going to work like hell to make sure our state's interests are protected. But, given the stakes, and given the track record of others around the country, **NEW JERSEY** will need to give our Congressional delegation much more help!

That means having lobbyists, government relations experts, those with experience in dealing with Congress and the Pentagon, get involved **NOW** and **CONTINUOUSLY** in not only learning what new **MISSIONS** the Defense Department is going to prioritize, but to also help New Jersey's remaining bases and Defense-related businesses, adapt their own missions to reflect the changing priorities of the Pentagon and thus to remain important to the Pentagon.

New Jersey's military bases and defense industries, especially our smaller firms, do not have the luxury of waiting to read about the changing of the DOD's missions and priorities in the press—they need to have their agents working "on the ground" now, and in the foreseeable future, to learn when these new missions and priorities are **FIRST** being discussed—and years' before budgetary impacts will be felt. This is a zero sum game: New Jersey's defense firms don't-want to be surprised and told in the future that their work and products no longer can be afforded within the financially-limited DOD budget and constrained priorities.

In addition to those regional and state governmental efforts to get more help in DC, to protect our existing bases and defense related firms, the defense industry **ITSELF**—should **NOW** take action to identify what will make **THEIR FIRMS** survive.

For example, you must know that many New Jersey companies are now involved in creating various components for drones. What you **MAY NOT KNOW**, is that these firms and everyone will be effected by the regulations and legislation that are being drafted **RIGHT NOW** in Washington, concerning Drones. Regulations and legislation about where domestic drones can fly, at what altitude, at what time of the day or night, what kinds of approvals will be required, and who'll have priority in a tight airspace: the weather drones, traffic drones, sheriff's dept. drones, homeland security drones, and drones whose roles we can't even imagine now. Who will be granted priority in America's skies? Like it or not, there will be more Drones flying over the USA, in most if not all states, as the years go on. New Jersey and its defense-related firms should be all over the FAA and Congress on this subject **RIGHT NOW**—as the regulations and legislation are being drafted.

We can also make an effort—right now, and I know that some of this is beginning, to encourage some of New Jersey's finest educational institutions (such as Stevens Institute, NJIT, Rutgers and Richard Stockton, to name a

few) to pursue (with State and private help) research and development into new Drone technology and applications

The **MAJOR** piece of good news in this area, that should concern drone-makers, drone component part makers and researchers.....Actually the proper term now is not “**DRONES**”, but “Unmanned Aerial Systems” (UASs) — (I was told that “Drone” connotes assassinations and death)—and thus will no longer be used in legislation or polite conversation (whenever possible).

This good news for New Jersey Drone community, and all our bases and defense-related industries, is that New Jersey has just submitted its application to be one of six UAS Test Sites in the nation.

That effort, under the Governor’s direction and with the full cooperation and support of Congressman Lobiondo, Chairman of the House Transportation Subcommittee on Aviation, is well underway—with the FAA expected to make a decision on New Jersey’s proposal by the end of the year.

Frankly, it seems like a “no-brainer” to give New Jersey one of those six UAS sites.

After all, we have the FAA’s Hughes Technical Center in Atlantic County, that sits on 5,000 acres, just 10 miles west of Atlantic City. It is the premier aviation research and development, **AND** test and evaluation facility **IN THE WORLD!** It owns the Atlantic City Airport property, and, among many other remarkable functions, responsibilities and facilities, it is the **HUGHES TECHNICAL CENTER** which is charged with shaping the Next Generation Air Transportation System for the **ENTIRE** United States of America. And, in that role, **HUGHES** will be directly responsible for, among other things, **INTEGRATING UASs, (DRONES), INTO OUR NATIONAL AIRSPACE!**

Hopefully, the quality of our application—and the synergy with Hughes Technical Center—along with the support of **MANY**, will get New Jersey 1 of those 6 UAS/Drone Campuses!

Finally, two last pieces of good news: one after many years’ of effort, there are now some positive signs of progress on realizing an Aviation Research Park on 55 acres on the Hughes Technical Center property.

Also, the word “Aviation” has now been included in the New Jersey Economic Opportunity Act of 2013 which my law partner Ted Zangari had a major hand in drafting and who will be talking about it later today. This new law will allow for state tax and other incentives to be used for “Aviation”-related enterprises.

## CONCLUSION

Well, I’ve done my best to try to give you a sense of the **MAGNITUDE** of the challenges facing New Jersey’s bases and defense-related industries—but I also hope I’ve helped show how we are making some progress and that there is some hope for the future. **BUT, WE NEED TO BE DOING A GREAT DEAL MORE**—to help our military bases and defense-related industries, not only survive, but prosper.

For while there is no substitute for a great product, offered at a great price—if it is not the product that the Pentagon wants to buy now (or won't buy in the future), then we need to help our industries and bases start now to transition to the new goods and services that will be deemed attractive (and hopefully indispensable) to this more financially-constrained, Department of Defense!

Finally, having had the privilege of serving my state and my country in Congress for the past 16 years—half of them on the 15 member Defense Appropriations Subcommittee that recommended all the military spending for the United States of America, I can tell you that while our Defense Department is facing ever-new military threats and budgetary challenges, our State and Nation, must be up to the task. Not only for our State and our Nation's **ECONOMIC** survival, but for the survival of Freedom—and our beloved country itself.

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**Thank you.**