



## Sequestration, Fiscal Cliff Impact to Industry

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## Who we are



- A global company operating from more than 60 locations in 27 countries, 14 US states
- 19,000 employees on our team
- A balanced business across markets we serve
  - Government – 52% of sales
  - Commercial – 48% of sales
- \$4.73 billion in sales (2012)



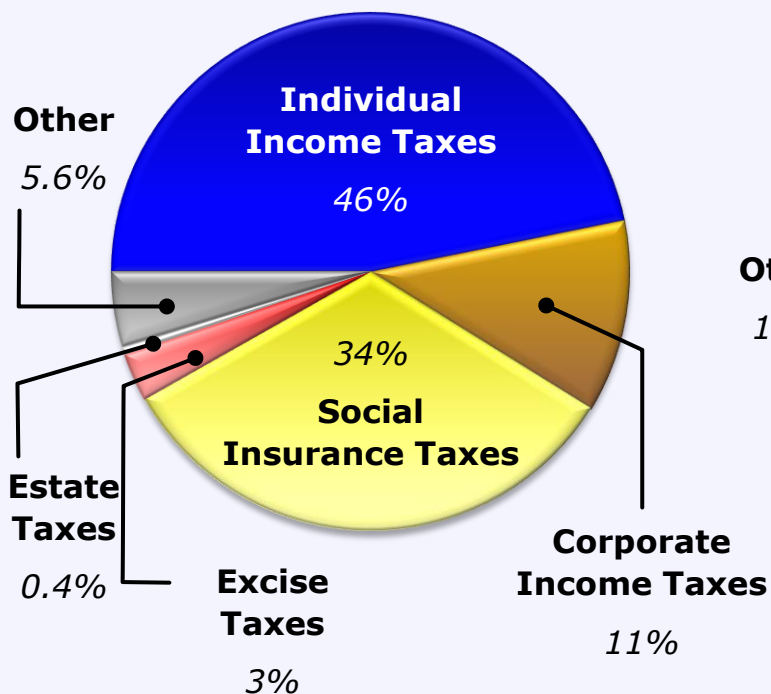
## **Our core competencies include . . .**

- Cabin management
- Communication
- Flight control
- Information management
- Integrated systems for mobile platforms
- Navigation
- Simulation
- Situational awareness
- Global service and support

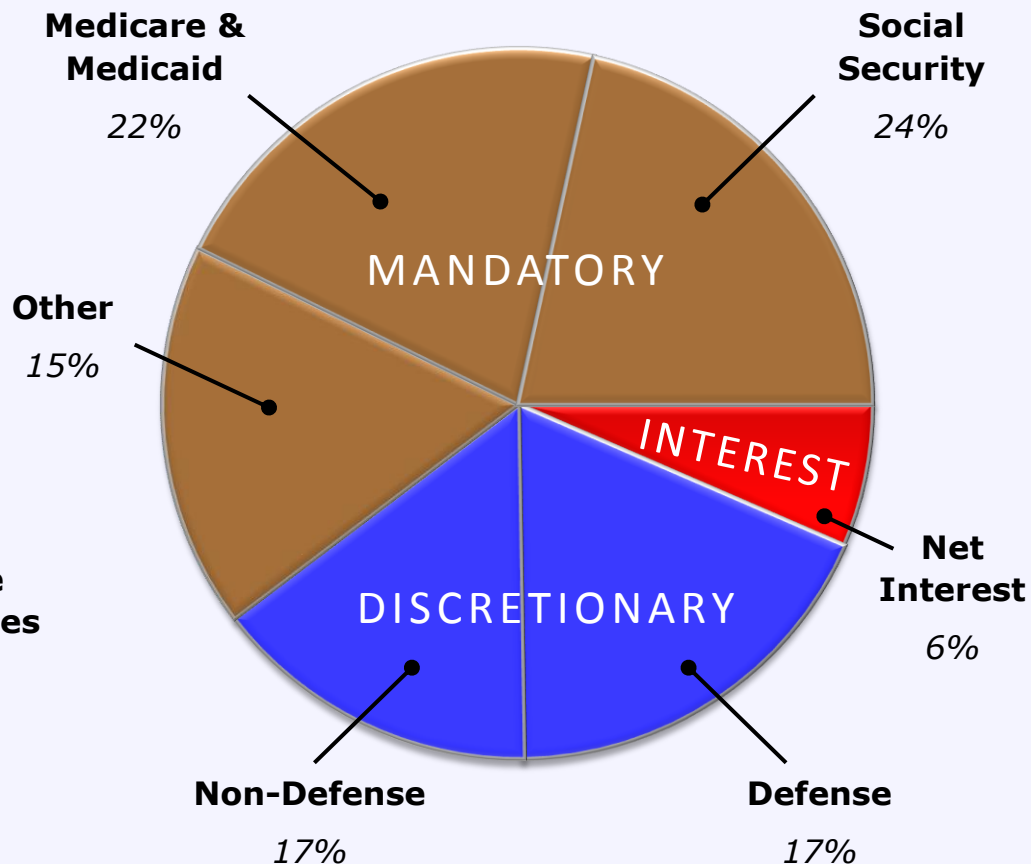


# Fiscal 2014 Federal budget request (submitted Apr 2013)

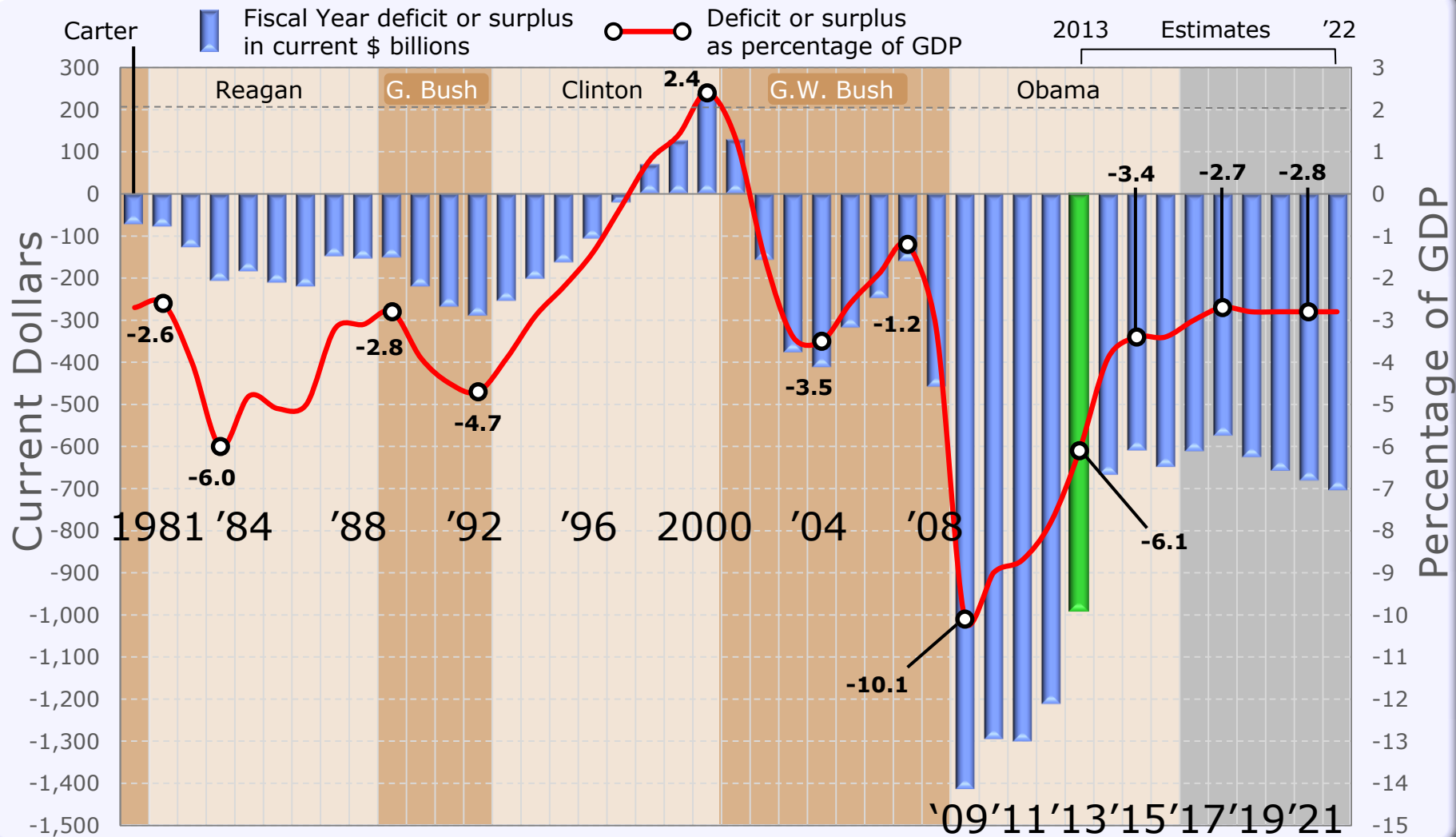
**Revenue Estimates:  
\$3.0 trillion**



**Proposed Outlays:  
\$3.6 trillion**

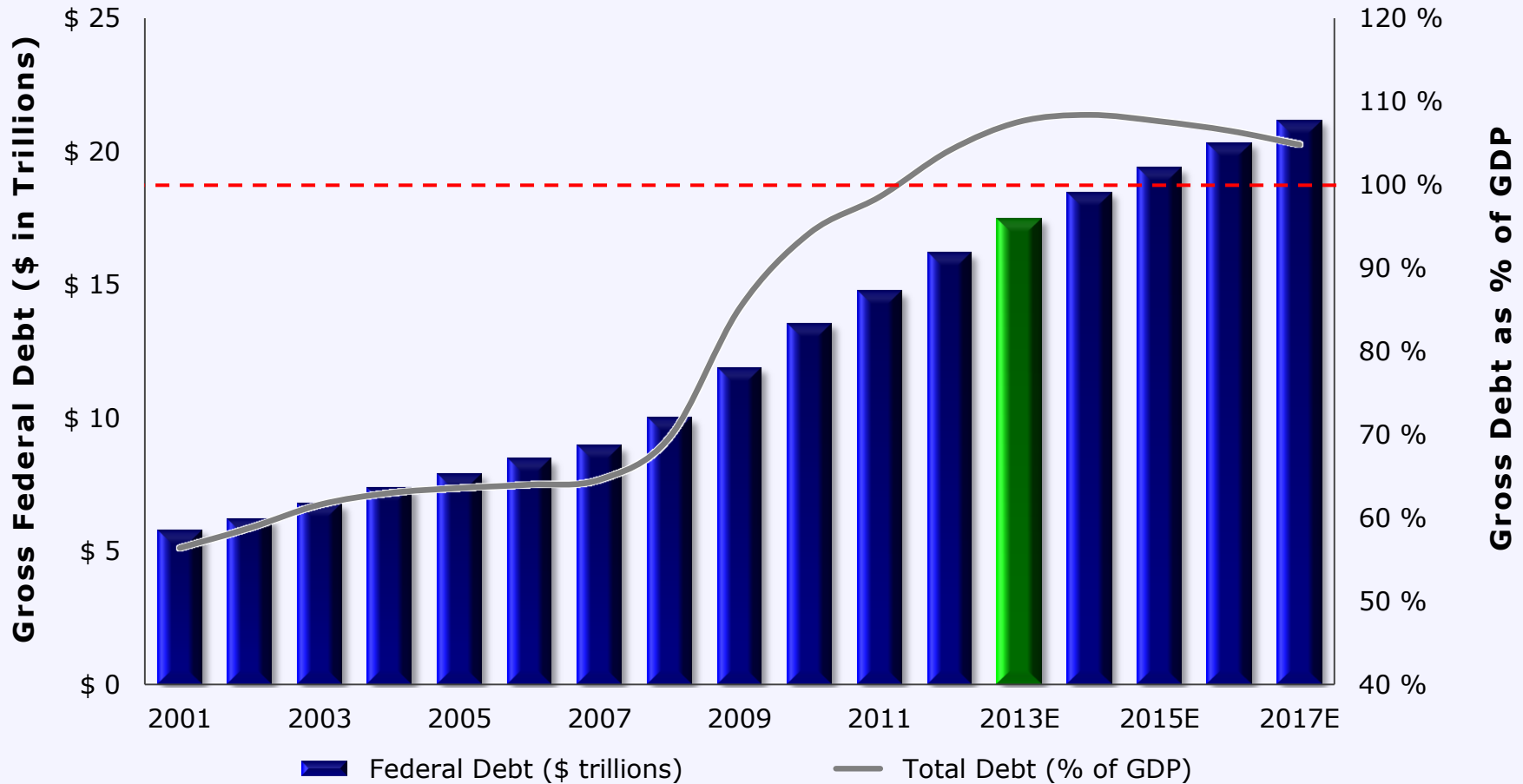


# Historical and projected annual Federal deficits



# Consequence of annual deficits: U.S. Federal debt continually rising

**Gross Federal Debt**



Source: Office of Management & Budget

## Impact to employees

- 2% payroll tax deduction expired
- More taxes on higher income employees
- 3.8% health care tax on capital gains



## Impact to industry

- Exact program impact still unknown
  - DoD \$9B reprogramming request
  - Across-the-board sequester reductions coming
  - Secretary's Strategic Choices Management Review (SCMR)
- Impact to Services business
- Other expected impacts
  - Administrative slowdown (furloughs)
  - Contract awards more closely scrutinized
  - Contracts funded in shorter intervals
- Infrastructure and employee impacts



## What can industry do...

- Look ahead and prepare to weather the storm..... and after the storm
  - Exit defense
  - Consolidate and “Hunker down”
  - Merge
  - Move to adjacent markets (e.g., cyber, medical)
  - **Expand to international growth markets**
  - **Identify current opportunities and prepare for up-cycle**
- Rockwell Collins
  - Balanced GS and CS business model helps
  - Shifting some investment dollars to commercial and international markets

## What can government do...

- Provide certainty
  - Resolve sequestration
  - No more CRs
  - Address structural budget issues
- Use acquisition authorities
  - Commercial contracting
- Corporate tax reform and R&D tax credit
- Export control reform





## Conclusion

- Debt problem is real and needs to be addressed
  - This is an important debate for the nation
  - Individuals need to get engaged in the debate
- Industry is already planning and adjusting
  - Defense downturn and business cycles

For more information, visit [www.rockwellcollins.com](http://www.rockwellcollins.com)

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