Aeronautics in the SLC States: Cleared for Takeoff

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This new report from the Southern Legislative Conference examines the increasing number of aeronautics companies that are locating, relocating or expanding their manufacturing operations in the South, a trend particularly discernible in the aftermath of the Great Recession.

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A generation ago, a number of foreign automakers began establishing manufacturing operations in the South, in states represented by The Council of State Governments’ (CSG) Southern Office, the Southern Legislative Conference (SLC). Until the last few decades of the 100-year history of automobile manufacturing in the United States, the industry was heavily concentrated in the states surrounding the Great Lakes and across the border in Ontario, Canada. Leading the charge to the South was Nissan (announcing a facility in Smyrna, Tennessee, in April 1980), followed by Toyota (publicizing a facility in Georgetown, Kentucky, in December 1985). From these two foreign automakers, The Drive to Move South gathered steady speed and, by 2013, there were a dozen or more automobile manufacturers – Mercedes in Alabama, BMW in South Carolina, Nissan in Mississippi, Kia in Georgia and Volkswagen in Tennessee, to name a few – operating thriving assembly operations, generating billions of dollars in economic impact and employing thousands of workers. In a move that parallels this important automotive industry trend, economic analysts now are seeing another development: the increasing number of aeronautics companies that are locating, relocating or expanding their manufacturing operations in the South, a trend particularly discernible in the aftermath of the Great Recession.

Even though the South’s association with the aeronautics industry dates back to December 1903, when Orville and Wilbur Wright launched their box kite biplane (a contraption largely constructed at their bicycle shop in Dayton, Ohio) from a windy outcrop in Kitty Hawk, North Carolina, in the ensuing century or so, the American aeronautics industry’s passenger jet manufacturing operations were largely confined to California (Los Angeles, Orange and San Diego Counties), Kansas (Wichita) and Washington (Seattle). However, this localized concentration has gone through and is continuing to experience some major transformations. For instance, at the peak of the Cold War, 15 of the 25 largest aerospace companies in the United States were located in Southern California; the number in California is now significantly smaller due to greater concentration in the industry – through a spate of mergers and consolidations that occurred in the 1990s – along with closures and relocations to other parts of the United States. Similarly, Boeing had a decades-long manufacturing presence in Wichita, Kansas; however, in January 2012 Boeing announced that it would shutter its large Wichita complex and move production to Oklahoma and Texas, both SLC states.
Also, in Washington, in early January 2014, Boeing workers, in the narrowest of margins (51 percent to 49 percent), approved an eight-year contract extension with the company that assured production of Boeing’s new 777X aircraft in the Puget Sound area.\(^4\) (The current 777 is a long-range, twin-aisle aircraft that carries 365 passengers; the new 777X would be one-fifth more fuel-efficient and carry 400 passengers.) In November 2013, Boeing workers had rejected a similar contract with the company on the grounds that it included a pension freeze, increased healthcare costs and other cutbacks. However, Boeing workers shifted their stance, calling for a second vote on the issue, when Boeing solicited offers from other states to build the new 777X, a development that resulted in some 22 states expressing interest in hosting the multibillion dollar project. The real danger that Boeing would have relocated the manufacture of this airplane to another state, potentially costing the Puget Sound area more than 10,000 jobs, triggered the second vote by Boeing workers. Prior to the first vote by Boeing workers, in an effort to woo Boeing and ensure the production of the plane in the area, the Washington Legislature approved a $9.7 billion multi-decade (through 2040) incentive package for the company. Bolstered by the incentive package provided by the Washington Legislature and the second vote by Boeing workers supporting a new contract, Boeing confirmed that the final assembly of the planned 777X will occur in the Puget Sound area. The company also indicated that it will not be hit by any machinist strikes through 2024. The fact that Boeing was serious about considering locations other than the Puget Sound area\(^4\) to manufacture the new 777X was another indication that the locus of America’s aeronautics center was shifting from former strongholds like Washington.

In light of these recent events, industry analysts are honing in on a critical, emerging trend: the movement by many aeronautics companies to relocate their assembly and manufacturing operations away from the three states that previously dominated the sector to multiple locations in the South. For policymakers in the South, the potential to capture a portion of the burgeoning aeronautics/aerospace sector is a huge opportunity given the enormous economic opportunities at stake. Consequently, Southern policymakers have moved with great alacrity to ensure that their particular state remains a frontrunner in securing the commitment of these aeronautics companies looking to relocate. A prime example is the emergency special legislative session that was called in Missouri in early December 2013 so that Governor Jay Nixon and members of the General Assembly could debate and reach consensus on a $150 million annual economic incentive package geared specifically toward attracting Boeing and the production of the 777X to the state.\(^1\)

Despite the colossal challenges faced by America’s manufacturing sector in recent decades, the aeronautics sector has proven to be one of the most resourceful and resilient on the contemporary economic scene. In fact, reports indicate that even though U.S. manufacturing employment shrank by 22 percent between 2002 and 2012, the aeronautics/aerospace sector grew 7 percent over the same period. Experts maintain that there are some 500,000 workers directly employed in aerospace manufacturing.\(^4\) Moreover, industry experts forecast that the aeronautics sector will experience substantial growth in coming years. For instance, Boeing projects demand for nearly 32,000 new aircraft by 2031; given that presently there are fewer than 20,000 aircraft in service, worldwide, the need to manufacture fleets of new planes remains tremendous.\(^4\) Similarly, Airbus projects demand for 19,200 new jets of all types, amounting to $1.4 trillion, by 2030.\(^2\) As a result, policymakers in a number of SLC states have worked ardously to court an increasing number of aeronautics companies, ranging from industry titans such as Boeing and Airbus to smaller operations, such as Honda Aircraft and SpiritAero-Systems, to myriad parts suppliers such as Adex Machining Technologies and GKN Aerospace, to their locales.

Notes:
For a decade, the SLC has focused extensively on the economic impact of the auto industry in the South. In 2003, the SLC released a report entitled The Drive to Move South: The Economic Impact of the Auto Industry in the Southern Legislative Conference States. Since that time, the SLC has featured the topic in subsequent publications, presentations to legislative bodies and other organizations, media interviews and as a discussion topic at SLC annual meetings. For more information on the SLC’s focus on the automotive industry, please see http://www.slcatlanta.org/Publications/index.php?topic=8 [3].

† In 2009, amidst much fanfare, Boeing announced the opening of its first Southern manufacturing facility in Charleston, South Carolina, geared toward building the 787 Dreamliner aircraft. South Carolina, along with nearly two dozen states, including California, Utah, Texas, Missouri, Alabama, Georgia, Arizona and North Carolina, expressed strong interest in being the site for the new 777X Boeing production facility.

‡ The Missouri special session was in response to the November 2013 failed talks between Boeing union workers and Boeing in Washington over manufacturing the 777X aircraft in the Puget Sound area and Boeing’s indication that it would consider alternate locations (both in the United States and overseas) for the project. A number of other states also expressed great interest in hosting the new Boeing facility, but Missouri was the only state – along with Washington – that convened a special session in December 2013 to craft an incentive package for Boeing. However, as mentioned, Boeing workers conducted a second vote and agreed to terms laid out by Boeing, a fact that resulted in Boeing confirming that it would carry out final assembly of the new 777X in the Puget Sound area.

2 Los Angeles County Economic Development Corporation, ‘The Aerospace Industry in Southern California [4],’ August 2012,
6 Ibid.

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